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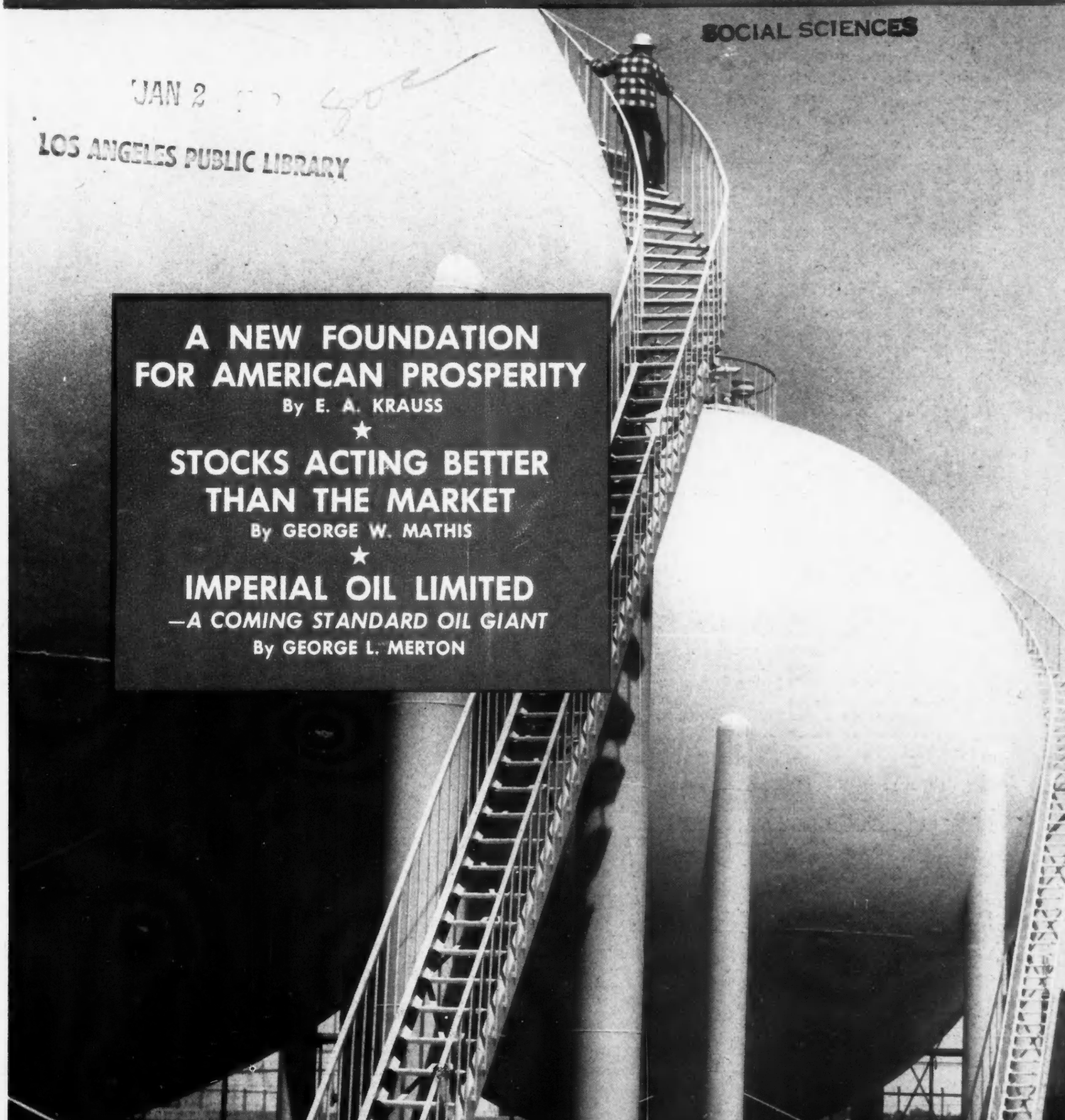


A NEW FOUNDATION FOR AMERICAN PROSPERITY

By E. A. KRAUSS

★

STOCKS ACTING BETTER THAN THE MARKET

By GEORGE W. MATHIS

★

IMPERIAL OIL LIMITED

—A COMING STANDARD OIL GIANT

By GEORGE L. MERTON

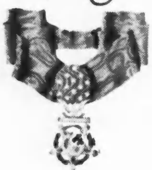
THE LONG AUGUST NIGHT WAS HOT—but not as hot as the bitter fighting that raged about Agok, Korea, in the Naktong River area. Sergeant Kouma, serving as tank commander, was covering the withdrawal of infantry units from the front. Discovering that his tank was the only obstacle in the path of an enemy breakthrough, Sergeant Kouma waged a furious

nine-hour battle, running an eight-mile gantlet through enemy lines. He finally withdrew to friendly lines, but not until after his ammunition was exhausted and he had left 250 enemy dead behind him. Even then, although wounded twice, he attempted to resupply his tank and return to the fighting.

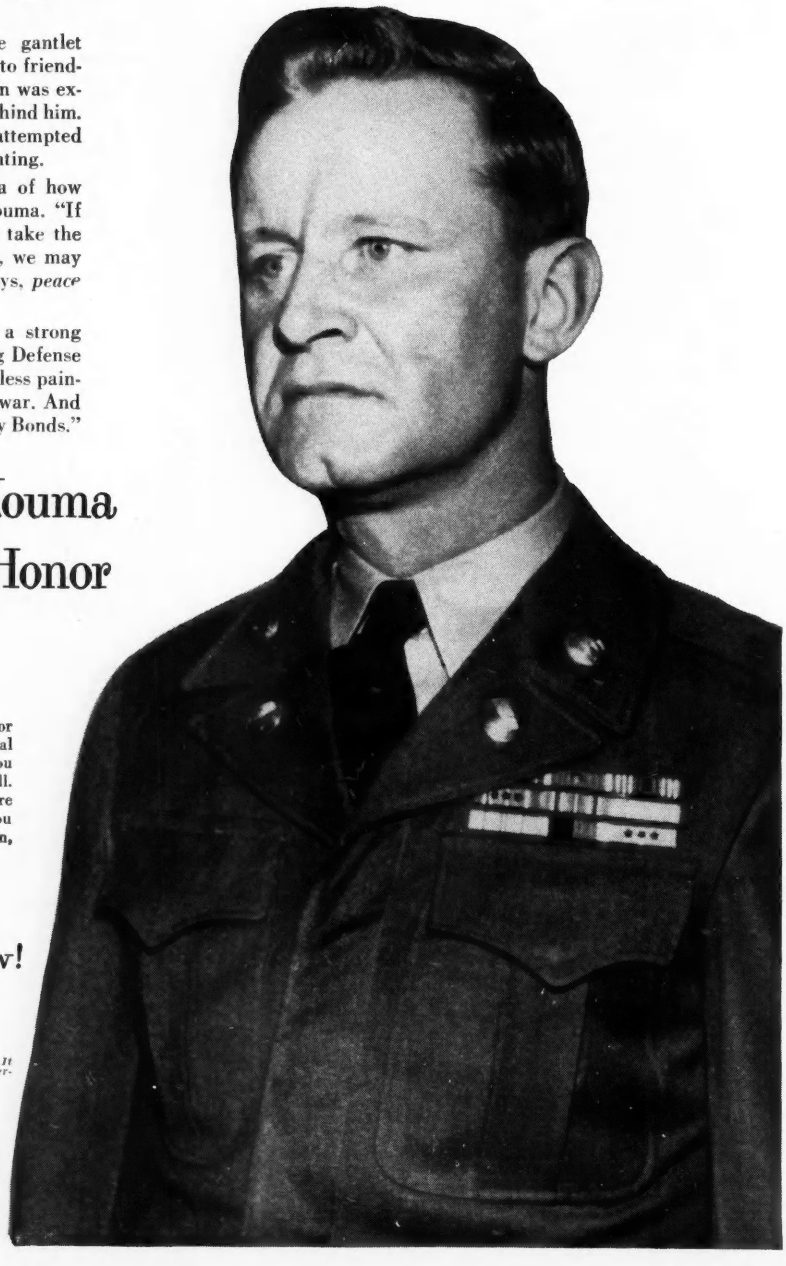
"A withdrawing action is not my idea of how Americans should fight," says Ernest Kouma. "If we must fight, let's be strong enough to take the offensive. In fact, *if we're strong enough,* we may not have to fight at all. Because, nowadays, *peace is for the strong.*

"So let's build our strength—to keep a strong America at peace. You can help by buying Defense Bonds—as many as you can afford. It's far less painful to build for peace than to destroy in war. And *peace* is what you're building when you buy Bonds."

M/Sgt. Ernest R. Kouma



Medal of Honor



Remember that when you're buying bonds for national defense, you're also building a personal reserve of cash savings. Remember, too, that if you don't save regularly, you generally don't save at all. So sign up today in the Payroll Savings Plan where you work, or the Bond-A-Month Plan where you bank. For your country's security, and your own, buy United States Defense Bonds now!

Peace is for the strong...
Buy U. S. Defense Bonds now!

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

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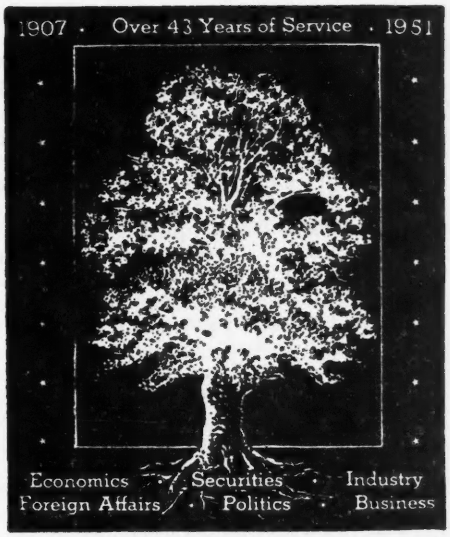
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. A. KRAUSS, *Managing Editor*



The Trend of Events

PROGRESS IN CANADA . . . The decision of our northern neighbor to end all controls over foreign exchange for the first time since 1939, making the Canadian dollar as free as its U. S. counterpart, is doubtless of historic significance. It means among other things that the Canadian dollar, since being left to seek its own level on September 30, 1950, has shown surprising strength. From a former rate of 90.1 cents, it has risen in the free market to almost 98 cents. Before the latest move, Canada had only a few comparatively minor restrictions on currency left, including one governing the amount of American dollars which Canadian tourists could buy. The increasing strength of the Canadian currency shows that the country is earning enough American dollars to lift the few remaining restrictions.

The defense boom no doubt had something to do with it but it is by no means the whole story. And free markets cannot be had merely for the wishing. It took sober and realistic action by the Canadian Government to make this move possible which can be regarded as one more demonstration that the western world can wean itself away from the reliance upon bureaucratic domination over economic life. After two decades during which Government controls have become more and more elaborate and all-embracing, it is encouraging to see a major country move so far in the opposite direction.

Foreign exchange controls in many countries in the Thirties proved a forerunner of the trend towards State Socialism. Canada's courageous and wise step in ending such controls may well prove to be a milestone along the painful and laborious road back towards reliance upon free markets rather than bureaucratic fiat, to shape private business decisions.

It must be clearly understood that free foreign exchange markets can function successfully, and can survive, only if a nation pursues broad economic policies which promote equilibrium in its international payments. Certainly there can be no stable foreign exchange market when inflationary budget or credit policies stimulate goods imports and spur excessive capital exports.

This point is clearly brought out by official Canadian statements to the effect that Canada must rely upon the proper handling of her domestic situation to keep a reasonable balance with the outside world. Other nations still in the throes of currency difficulties may well take this to heart.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

JOINING THE "HAVE-NOT" COUNTRIES . . . The United States which once prided itself on being relatively independent of foreign sources of raw material supply is coming to realize that we are no longer in this happy position and that, in fact, we are joining the ranks of the "have-not" countries in many respects. This is especially true of such commodities as cobalt, tungsten, copper, and tin. This situation is due to growing exhaustion of domestic supplies arising from the enormous demands of the late war and the current cold war period, and to our vastly expanded technological facilities

which require ever increasing quantities of scarce products.

In a world at peace, the problem would be simplified as we would then have no fear that our access to needed raw materials might be cut off by the action of hostile powers. Under present circumstances, however, we no longer have security in this respect nor will real security be provided no matter how many allies we may have in far-flung parts of the world. We appear to be especially vulnerable in this respect in Asia and the Near East where communist elements without too great difficulty can interfere seriously with our lines of communication, this in spite of the fact that together with England we virtually control all sea routes. It is not difficult to perceive that all the navies of the world cannot help us in securing access to raw materials if the countries that produce them are undermined by subversion or even outright revolution. The difficulties of the British in getting rubber and tin out of Malaya amply illustrates this problem.

What then is America to do in the face of this formidable threat to our industries? Are we to risk all by continuing to rely exclusively on distant and vulnerable sources of supply, or would it be more realistic to look to sources nearer at home? It does seem that we can more safely provide for our needs by aiding the South and Central American Countries along with Canada, to develop their resources. We have invested hundreds of millions in developing facilities many thousands of miles from home, in Southeast Asia and the Near East, for example. We should continue to develop these regions as long as we can, but we should not depend entirely on these sources. Capital expenditures on a large scale can be made quite profitably in extending the facilities of our Southern neighbors as well as Canada, for the development of new sources of supply.

It is well recognized that many Latin Americans are fearful that increased American investment in South America may restore "dollar diplomacy" to its former status but, by enlightened methods of economic participation, we could prove that the interests of the Latin American countries and those of the United States co-incide. A fair and equitable arrangement can be made which would not only remove any latent suspicions of our motives but produce a harmonious relationship.

Pursuing such a course of mutual service would not only aid the weak economies of South American nations but would increase and safeguard the supplies of raw materials on which we will have to rely more and more heavily in the future. Why not help ourselves by making productive investments in a portion of the world that is least exposed to the danger of hostile interference and thus can offer more to our security than far-flung interests difficult to defend or protect?

A GRATIFYING RECORD . . . One of the major industrial miracles took place the other day when the steel industry produced its 100 millionth ton of steel in 1951 the first time this figure was reached in any one year. It actually will produce 105 million this year. Thus, in a period of less than two years, 20 million tons of steel will have been added to the nation's production capacity. Nor does this represent the limit of expansion, for by 1954 the industry will be geared to the amazing production total of 120 million tons a year. What this means may be gleaned from the fact that in a period of about five years, the American steel industry will have added to its 1949 capacity an amount more than equal to that of the total Soviet output even including that of the communist satellites.

This is an accomplishment of which not only the steel industry but the entire nation may well be proud. There are two significant aspects of this truly wonderful achievement that deserve comment. One is that the immense increase in production was accomplished despite difficulties of raw material supply, and under rather arduous conditions of government control. It is a tribute to the managements of these corporations that they were able to accomplish so much in such a short period against such formidable odds. The other is that the steel industry has rendered a service of the greatest magnitude to a nation which is not only attempting to arm itself but a good part of the free world against a ruthless foe.

THE STRUGGLE IN STEEL . . . Unfortunately, while all the above seems so pleasing a theme, clouds are again hovering over the steel scene. Labor is now engaged in another tussle with the hard-pressed steel managements, demanding a wage hike of 15 cents an hour plus "fringe" benefits, though, under the Government wage-price control system, six cents an hour is the maximum permissible increase.

The steel industry says that it cannot go above this figure without raising prices sufficiently to cover the additional cost. This, however, is not permitted under existing Government codes, and Government spokesmen keep saying that no price increases will be allowed except those permissible under the Capehart amendment.

The matter is of crucial importance because any weakening of the steel wage-price ratio will affect all other manufacturing industries and thereby bring about a new cycle of wage and price increases, magnifying the inflationary process. The Government says it is adamant against such a prospect at the present time; but we emphasize this qualification because heretofore the Administration has given way when it came to a question of antagonizing the labor vote. With a vital election campaign practically under way, it would be naive to expect the Government to adhere to its professed opposition to inflation any more than it has in the past when it was confronted with a similar crisis. The unions have threatened a strike if their demands are not met. This cannot be permitted in view of our tight defense schedule. Since the industry cannot be expected to absorb the loss that another wage increase would entail, it is a good bet that the President and his advisors will again weaken at the expense of price stability.

In view of the vital public stake in this matter, the public will want to take a long, careful look at the way the various parties to the dispute are meeting their responsibilities and working wholeheartely towards a settlement fair to the national interest.

As I See It!

By ROBERT GUISE

SHOULD WE PULL IN OUR GLOBAL HORNS?

In a significant address last week before the Economic Club in Chicago. Joseph J. Kennedy, former U. S. Ambassador to Great Britain, warned that Western Europe is losing its will to rearm and called upon the United States to "disentangle" itself from recent "far-flung commitments." Mr. Kennedy charged that our foreign policy is such that the United States could be plunged into war by a "pistol shot" almost anywhere in the western world. He further asserted that the Korean war is "utterly futile", that the United Nations is "valueless" as a policy-making body, and that General Eisenhower's European army is "merely an organization, not an army." He also informed his listeners that the Western Allies have failed to build a force in Europe capable of halting Russian aggression, that there is in Western Europe a feeling of growing anti-Americanism, and that many observers attribute the "sad results" of U. S. foreign policy to ineptitude in the administration.

His advice was that we pull in our global horns, build up our own strength before trying to rearm the rest of the free world, and develop the resources of North and South America instead of pouring billions into development of the Near and Far East.

Coming from a man of Mr. Kennedy's stature, these remarks deserve attention, doubly so because they come all too close to the truth. The grave difficulties facing European rearmament and European unity could hardly have escaped anyone, as well as the underlying cause—lack of determination and the will to rearm. European spokesmen recently have been pulling no punches; they have freely given expression to their own fear that our foreign policy may merely be pushing Europe into a war not of her own making.

Hence distressingly difficult hurdles remain to be surmounted if European rearmament is to become a fact. Whether it will ever amount to anything effective remains gravely in doubt, in view of the reluctance shown on all sides. The western paradox continues in that common deliberations such as those held within the NATO are usually either inconclusive or complete failures under the cloak of outward signs of progress. The fact is that there is very little if any progress.

U. S. AID: "A BUSHEL AN' A PECK"

Wood in The Richmond News-Leader

In view of our well-known overextension all over the world, this is not a comfortable situation and, as Mr. Kennedy pointed out, could become highly dangerous. Additionally, few will dispute with him on the doubtful value of the United Nations whose talks and actions not only reflect unreality but where our leadership is being increasingly challenged. While as a result of our own defense program, we are gaining in military strength, one cannot help sensing the backsliding which has occurred in our diplomatic and political position not only vis-a-vis our communist enemy but also in our relations with our friends and allies. If there is any blame for this, it must be put at the door of our political leadership which, as Mr. Kennedy implies, has been anything but wise or clever.

In view of all this, one can certainly go along with his advice that we disentangle ourselves from our far-flung commitments. Even had we the whole-hearted support of all of our allies, the West would still be spread out far too thin for effective defense against communist aggression. Our allies know that and hence are dragging (*Please turn to page* 360)

Balance Sheet of Market Factors

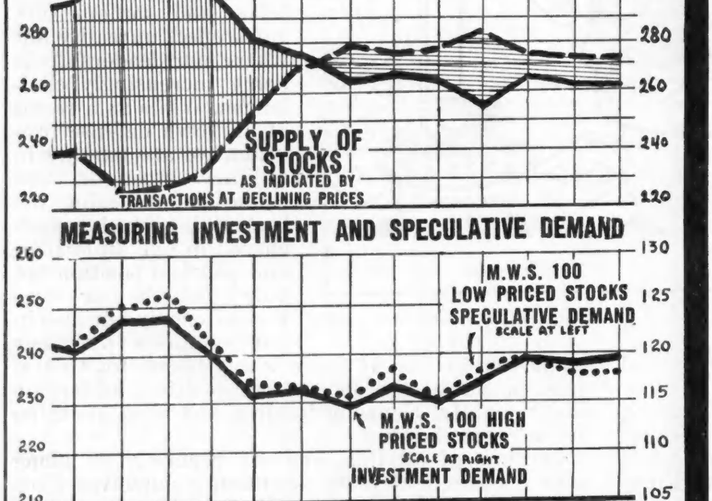
The market did nothing decisive either way over the last fortnight, although utilities edged up to a new 1951 high; and at the best level in recent days, the industrial average had slightly extended its November-December recovery. On the whole, selective firmness featured an otherwise unexciting market. Barring a surprise news shock, seasonal influences should make for some further near-term improvement.

BY A. T. MILLER

Fluctuation in the general market level was moderate and indecisive, with trading volume fairly low, over the last fortnight. In the face of highly selective market interest, the industrial and rail averages drifted slightly downward for some days from the early-December rally highs, but showed a fair degree of improvement before the end of last week. At the same time the utility average continued to edge upward—enough so to record another new 1951 high.

The market has now been restricted to a fairly moderate trading range—roughly 20 points for the industrial average or about 7% from the September high to the November 24 low—for more than three months; to a still more moderate range since November 24; and, of course, to a quite insignificant range more recently. Coming after recovery in the industrial section of about 60% of the September-November decline—the bulk of which was concentrated in the last fortnight of October—and after a little more than a week of consolidation without much retreat, current improvement is on the encouraging side at least from a short-term viewpoint. It suggests, barring some surprising news shock, that the recovery probably will be held or somewhat extended during the short remaining period of 1951 and possibly into January, thus conforming to the well established precedent of more or less market strength around the year-end season.

On the other hand, strength at this season is not necessarily a reliable indication of potentialities over a future period of much duration. Because it is the usual thing, sometimes partly seasonal, sometimes entirely so, such technical "evidence" as can be read into it must carry less weight than would attach to a similar market performance unaffected by a seasonal bias. The performance after early January will be a more significant test, especially if year-end improvement falls short of putting the industrial and rail averages above their earlier major highs, recorded in September and almost duplicated in mid-October in the case of industrials; and last February in the case of rails. Given a year-end or later test of those highs, the behavior of industrials will most largely influence investment and speculative sentiment, as we have noted before.

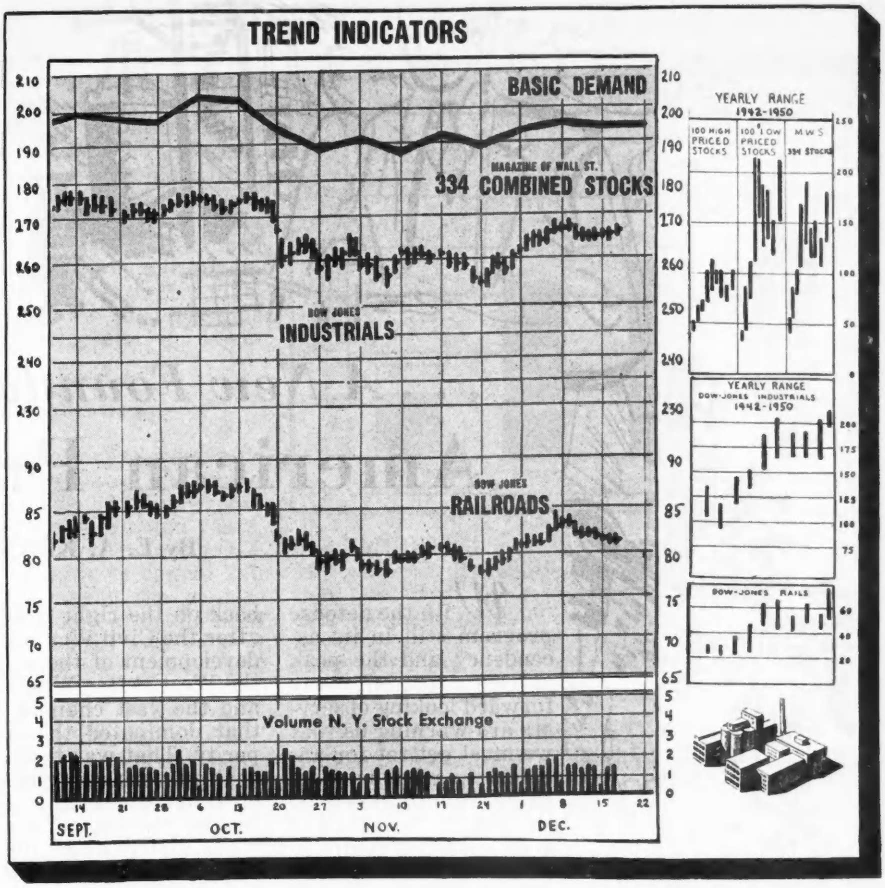


The Balance Sheet

In our opinion, the balance of constructive and inhibiting factors continues to argue against either sustained major advance or decline in average stock prices over at least the medium term. The probability of fairly moderate interim swings in the averages, whether or not they are confined precisely to the limits of the last three months, justifies a proportionately moderate and certainly a selective investment policy, avoiding any extreme of either optimism or pessimism. This calls

for holding substantially invested positions in sound stocks, subject to reasonable reserves against unforeseeable contingencies, especially in foreign affairs, and for future buying opportunities. And it calls for *more emphasis on selectivity* in portfolio management than on general market potentialities.

There are a number of considerations which are on the restricting side in some degree. Not the least of them is that the peak in average corporate earnings and dividends has been put behind; that no important improvement in either can be foreseen; and that, on a full-year basis, at least some further moderate shrinkage in both is probable in 1952. Static or shrinking earnings and dividends are not compatible with a dynamic general advance in stock prices. On the other hand, even though it was due to abnormal war conditions, there has been one major market decline—that of 1939-1942—in the face of good earnings and generous dividend yields.



Second, the chronic foreign uncertainties, even though we are pretty well used to them by now, tend to make for reasonably conservative market valuations of earnings and dividends, particularly in the case of the majority of cyclical-type stocks devoid of "growth" appeal. Third, since the economy is being propped up by rising armament outlays, and since there is a foreseeable prospect of more or less deflation when they taper off, whether that may be in 1953 or 1954, these considerations also make for much more moderate price-earnings ratios and a higher level of stock yields than would be normal expectancy in a privately-generated business boom.

Fourth, the previous abnormally wide spread between stock yields and yields on bonds and preferred stocks has been substantially narrowed by the rise in the latter while average stock yields have been largely static around 6% or so for some months. Fifth, there has been a major decline in commercial bank investments, accompanying the rise in bank loans. Without debating the reasons and conceding that the time lag is uncertain, it may be noted as a fact of record that similar bank credit shifts preceded most past stock market deflations, including those of 1919-1921, 1929-1932 and 1937-1938.

Sixth, in terms of general market behavior, stock group behavior, and comparative trading volumes, the performance since last February, or for nearly eleven months, has been anything but buoyant. Selectivity has become pronounced both as to stock groups and individual stocks and this is likely to continue. As stated on previous occasions, the movement of the averages now means relatively little. It's stocks that count.

On the supporting side there is, first, assurance of a sustained high level of economic activity—no business slump—at least for 1952 and perhaps longer, depending on defense program development. This means some further rise in disposable consumer income; rising and large Federal deficit spending beyond the second quarter; some further inflation of the total money supply; some further wage-cost inflation; and perhaps at least a moderate upward bias in commodity prices after a time, although this is not certain, if consumers continue to refrain from any new buying surge, in view of the dynamic productivity of American industry.

Second, barring global war, tax uncertainty has been virtually eliminated. The rates for 1952 are known, and most Congressmen regard them as peak semi-war rates. If so, again barring war, the next important change should be downward. Third, although corporate earnings will be lower than in 1951, 1950 or 1948, they will compare favorably with those of all other past years, and should suffice to support aggregate dividends at a level never attained before 1950

Fourth, as measured by margin debt, trading activity and indicated selective preferences, there is no great amount of speculation in this market, making for a proportionately sounder underlying position Fifth, there is, and will continue to be, a fairly steady flow of institutional funds into good grade common stocks Sixth, a large accumulation of idle non-institutional cash— (*Please turn to page* 360)

. . . A New Foundation for . . . American Prosperity

By E. A. KRAUSS

With the defense program still in its ascendency and the peak at least a year off, many forward looking observers are warning us that we must get set for another hard lesson in basic economics once the stimulative effect of arms spending begins to fade. While we may have to live in a garrison economy for a long time, spending for defense and foreign aid is scheduled to stabilize at lower levels a few years hence and will create problems of economic adjustment which may well challenge our resourcefulness to the limit.

Even if our economic planners should develop unusual astuteness, there is every reason to doubt that they can effectively insulate our economy from any decisive turn in the economic tide. Our economy is not depression-proof nor will it ever be. We have learned the hard way that the policies of the Twenties could not provide lasting prosperity. Subsequently it was demonstrated that the policies of the Thirties—and certainly not for want of trying—could not produce full employment. And there is increasing conviction that the policies of the postwar '40s and the early '50s will not provide permanent prosperity but may on the other hand lead to serious economic adjustment.

When that phase comes, shall we again be faced with deep depression? In the writer's view, the broad trends in our economy argue against it. In looking forward to the time of readjustment, to a period of proportionately less war-related activities, one is impressed with the possibilities for further growth and development which present themselves.

This country has been singularly fortunate in that each time when it was hit by a major postwar depression, something always turned up to get us back on the right track. The depression that set in after the Civil War was stopped and reversed by the development of the railroads and the opening up of the West. After World War I, it was the automobile and the vast changes brought about by its arrival that dominated the scene and brought new prosperity. That was the age of the development of our vast network of highways, and the corallary development of service stations, garages, hotels, restaurants, tourist resorts, plus whole new industries making parts and gadgets for the automobile. The arrival of the horseless carriage has indeed created economic forces that spurred our growth beyond imagination.

Is there anything comparable available when a post-defense build-up recession may hit us? We can forget about those who tell us that there won't be a "next time" because the business cycle has been abolished; for regardless of their boast, there will likely be quite a bit of adjustment trouble ahead. But fortunately it is not difficult to find something more tangible than the schemes of the planners: new horizons that will keep on opening for us.

Our Technological Frontiers Are Boundless

Our potentials for real progress and development are exceedingly great, based on a vastly expanded and constantly expanding population which assures us of bigger markets for everything. We are still a virile, ingenious nation with great natural resources, and the American frontier still exists, not in terms as we used to think of it, but in terms of technological development which is bringing a veritable revolution in a wide range of fields, with far-flung implications for the future.

Another field which offers great opportunities lies in the less well-developed areas of the world, particularly in the countries of the Western Hemisphere, which should provide vast outlets for American investment in the form of capital equipment and technical "know-how." There is little doubt that we will find challenging opportunities in these directions which not only will help cushion any recession but should lead us into another period of progress and prosperity.

The tremendous increase in our own population,

by over twenty million in the last decade, has already resulted in a broadening of our economic base that should put a definite floor under any recession potential. Certainly it has pushed the approach of a static economy far into the future and has given impetus to a tremendous post-war business expansion which in itself bespeaks confidence in the future. Business planning generally is based on hard facts or well founded expectations rather than any optimistic generalizations or temporary expedients. As it is, our growing population in the years ahead will provide that dynamic push towards economic expansion generally associated with new growth industries, such as the auto industry in the '20s, and thus forces a revision of economic thinking in essential respects.

Dynamism of Decentralization

With our vastly greater population, there can be no such thing as a return to the low level of demand of the '30s. After all, there are some 30 million more mouths to feed today than in the depression years, and 30 million more people to clothe and house. Clearly, the demand for farm products cannot fall to the extent that was possible when the population was so much smaller. Obviously also, the need for housing will continue substantial and general demand for every type of consumer goods will remain far above former levels even under average conditions.

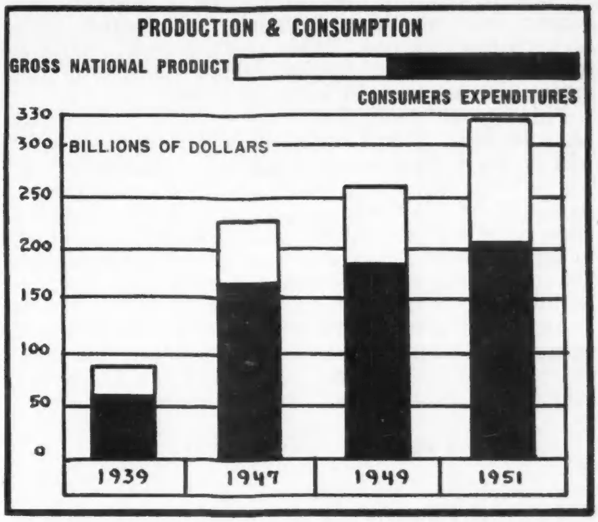
Our larger population, in other words, will need more of everything than was thought necessary some years ago. This formed the true and practical basis for our postwar business expansion; the broader demand should largely absorb the output of our added productive capacity and warrants the expectation of a permanently higher business plateau despite the vagaries of the business cycle.

As interesting, and as full of potentials as the population growth, is the postwar trend towards the suburbanization of our cities and, hand in hand with it, the decentralization of industry and distribution. While already strongly evident, it may only have scratched the surface in establishing "new frontiers" of immense potentialities.

New suburban centers have been sprouting across the nation as suburban populations are increasing at a rate rarely approached by urban localities with the result that merchandisers today look to the suburbs for dynamic growth in retailing, and industry does the same to tap the new markets, including labor markets. As a result, we have been witnessing persistent and rapid industrialization of outlying areas.

Decentralization of industry is currently getting a boost under the security plant disposal program but that seems only a secondary factor compared with the much broader force towards suburbanization which has all the earmarks of becoming a major economic trend. While such outstanding developments as the industrial build-up of the South and South-West has been getting most of the headlines, the potentiality of these major industrial shifts may well be outranked by the less spectacular but cumulative effects of the build-up of our suburbs and the type of industrial decentralization that goes with it. It may be our biggest "ace in the hole" when we need one next time.

Just think what it can mean in the way of extending the housing boom, the need for roads, schools,

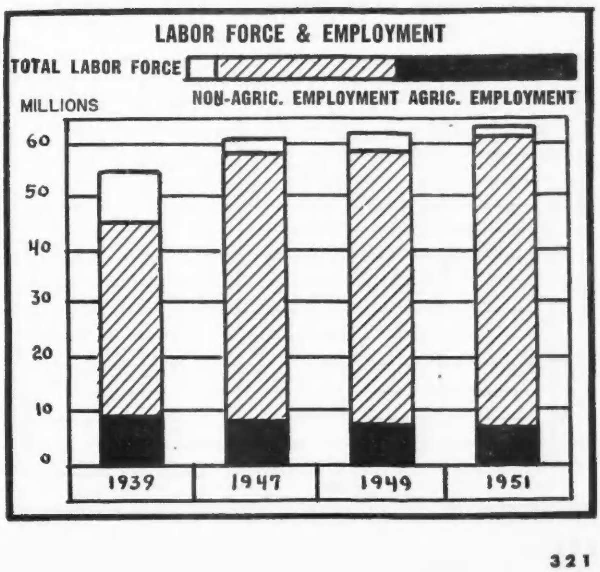


hospitals, stores and utilities; the need for new services and distribution facilities and everything that goes with the relocation of industries or the establishment of new ones. Already retailers who have been aggressively pushing branch stores in suburban areas lament that they have built them too small; none of them complains that they proved too large.

The move to the suburbs which essentially is also a movement towards individual housing and away from urban residential skyscrapers should continue to broaden and maintain the markets for automobiles, for household appliances, furniture and furnishings, and a host of other things needed in the house.

We have seen how the postwar residential housing boom has spurred these fields and this stimulus will not fade quickly as long as the migration to the suburbs continues. Little wonder that leading appliance manufacturers, despite temporary saturation of markets, plan still further expansion of productive facilities, that consumer industries generally are optimistic over the longer range future.

Why else has industry expanded as it did at a time when the cold war, and resultant defense needs, were hardly a motivating factor? It has done so



because it saw the need of supplying markets far bigger than anything formerly anticipated, both at home and abroad. These markets will continue to exist, and expand, replacing the stimulus of the arms program once it is petering out.

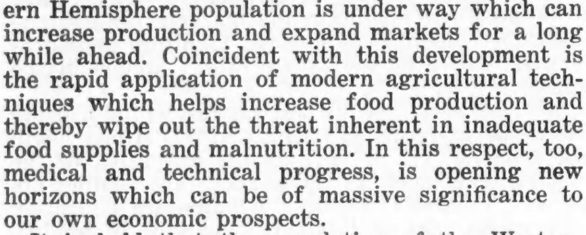
This doesn't mean that there will be no need for readjustment. There certainly will, but there also will be ways and means to shorten and cushion it. There is a great accumulated need for public works, particularly highways which are fast losing the race with traffic. Public works outlays may well mount to levels that may dwarf previous programs. There are, for example, plans for a Federal superhighway program that could take $5 to $7 billion annually for a period of ten years. The need for it is amply demonstrated; so is the need for new schools, hospitals, dams and other public works including a host of local improvements.

Potentialities in Western Hemisphere

Additionally, once international tensions subside, we can look forward to a very substantial expansion in American foreign investments. According to informed opinion, it is not difficult to conceive of net foreign investments exceeding $10 billion annually for an indefinite period, always provided that the proper pre-conditions exist.

Potentialities are particularly great in North and South America. After all, the Western Hemisphere is underpopulated rather than overpopulated, but with modern medical techniques now being applied vigorously in an attack on the basic causes of major diseases and high mortality, a vast upsurge in Western Hemisphere population is under way which can increase production and expand markets for a long while ahead. Coincident with this development is the rapid application of modern agricultural techniques which helps increase food production and thereby wipe out the threat inherent in inadequate food supplies and malnutrition. In this respect, too, medical and technical progress, is opening new horizons which can be of massive significance to our own economic prospects.

It is held that the population of the Western Hemisphere, for instance—now approximately 300 million—may in the next two or three decades rise to a figure not far from 500 million. Such growth will not only open new markets for many of our products but speed the rate of industrialization of other Hemisphere nations, opening up new opportunities for American trade and investments. In varying degree, the same should hold true of many other areas in the world where populations are expanding apace as modern medical techniques help reduce the normally high mortality rates.



Abroad as well as in our own country, new foundation stones for future prosperity thus exist and it is up to us to use them properly in bridging the gap which arises when military production tapers off. That we do so is of the greatest consequence.

It is well to remember, in this connection, that the powerful forces which have built the American economy are men and money, know-how and enterprise spurred by incentive. We shall need all this if we are to make the most of our opportunities for building firm foundations for future prosperity. Today our labor supply is growing at the rate of a million a year, and the rate will increase. There is only one way in which these people can secure productive work, and that is for industry to expand its operations to a point where it can provide the necessary jobs.

Population growth, in other words, offers a challenge as well as opportunity. Industry is preparing to meet the former and make the most of the latter, but it can do it only if it remains unfettered and above all, if it can secure the capital for expansion and new investments. Hence it is up to the Government, too, to our planners and policy makers, to create the conditions and the environment necessary for industry to fulfill its vital task.

Preparing for Re-Adjustment

Vast problems are involved, both in reactivating the flow of equity money into American industry and in effectively reopening the American capital market to foreign borrowers. But we have a double incentive to find solutions.

One is to make any future readjustment as short and painless as possible so as to maintain our strength, and that of the western world, in the face of uncertain international conditions. The other is to demonstrate that our private capitalistic system can do it without recourse to Government intervention which sooner or later would only lead to a socialistic economy.

No one can be sure when the phase of readjustment will come; it will probably depend largely on how the international situation shapes up. It is not likely to occur, in more incisive degree, until defense, foreign aid and domestic plant and equipment expenditures begin to decline, and that could be late in 1952 or early in 1953. If all three of these developments come near to coinciding, if at the same time, demand for consumer goods remains at a reduced level, a substantial adjustment might become necessary. It might be considerably more moderate if these influences are staggered in their impact and spread out over a longer period.

But readjustment there is bound to be. Its duration will depend on many things but a new upsurge will certainly follow as our "aces in the hole" are beginning to be played out, as the technological revolution in many fields opens up new opportunities for a long period of vigorous expansion, great progress and renewed prosperity, as the rapid rise in population, both in our own country and abroad, increases our markets by pro- (*Please turn to page* 357)

Stocks Acting Better Than The Market

—*Indicating Leadership in 1952*

By GEORGE W. MATHIS

The recent 20-point decline in the Industrial Average, while casting a blight on the majority of stocks, has nevertheless failed to prevent a considerable number of issues from turning in a good and, in some cases, a spectacular performance. Some of these stocks not only offered strong resistance to decline during a trying market phase, but even went on to make new highs for 1951, this in face of a lack of bullish sentiment as a whole.

Conspicuous strength is now found in two principal categories of stocks: first, the comparatively few groups which possess better than average prospects for next year, and which are receiving rather late market recognition; and second, those individual stocks which are acting far better than other members of their groups and which have been attracting attention for some time on account of new and favorable internal developments. For the more active investors, these stocks apparently are offering a line of least resistance, as indicated by the fact that they are among the most heavily traded.

The strongest groups are the airlines, finance companies, public utilities, radio & television, followed by machinery, petroleum and business machines. Other groups which have been firm though not notably active recently are dairy products, rayon, non-ferrous metals and tobaccos, the latter—while still rather dull—commencing to show signs of renewed interest. Among the chemicals, only American Cyanamid, Dow, Du Pont and Union Carbide have distinguished themselves with a better than average performance.

Of the above, only four groups have recently made new highs for the year. These are the airlines whose MWS group index reached a new high of 784 compared with a low of 634; finance companies 320 against 243, public utilities 157 against 142.5 and Radio-TV with 32.6 against 26.6.

Practically all members of the air transportation group are very strong, most of them making new highs in the December market. Earnings for 1951 have exceeded those of 1950, which in itself was a record year. With passenger traffic reaching new peaks, a further gain in earnings is expected.

Several special factors operate beneficially on the earnings situation. One is that expanding revenues from increased passenger transportation are more than offsetting higher costs. The second is that special excess profits treatment gives the industry a considerable tax advantage. The result has enabled the airline companies to raise their dividends. These are still at conservative levels, however, and will probably remain so for a period as large funds are needed to buy new and more modern planes. Ultimately, dividends should increase still further.

Good Future for Airlines

From the longer-range viewpoint, the industry is in an exceptional position for further growth. Rapid expansion is likely to arise from implementation of a broadening policy to increase low-cost coach air traffic. This holds great promise of adding the lower-income groups to users of air transport service. Of equal importance is the inevitable perfection of jet air transport for continental and inter-continental travel. When this reaches its full development, travel by air will rival the volume of the older forms of passenger transport.

Among the airline stocks which have been attracting increasing public interest are American Airlines, Eastern Airlines and United Airlines. The estimated earnings for American for 1951 are $1.70 a share compared with $1.39 in 1950; for Eastern, $2.85 a share against $2.19 and for United about $4 a share compared with $2.91 in 1950. Dividends of all three are very conservative, American yielding 3.0%, Eastern 1.8% and United 4.6%. Obviously, these

stocks are selling on the basis of present and prospective high earnings and not dividend return.

The finance company group which has been creeping up for months, has only recently arrived in new high territory. The ameliorization of credit restrictions which was authorized by the Government last Spring has been of considerable benefit and has laid the groundwork for a new expansion in loans. This has brought about record earnings for the small-loan companies and has held earnings of the large finance companies close to the record figures of 1950.

Finance Companies in Strong Position

The exceptional position of this group with regard to current and prospective earnings has naturally attracted attention to the individual stocks, which have the added advantage of offering good yields. Finance companies are likely to benefit regardless of swings in the general business situation next year. (A detailed analysis of these companies was presented in the last issue.) A glance at the accompanying table will show that these stocks have all made new highs since the market break last October. This makes a pleasing contrast with most of the rest of the market, especially since possibilities for future moderate appreciation in this group do not seem exhausted.

Radio-TV stocks have shown conspicuous strength in recent months, especially since the general market turned down in late October. The group went into new high ground, those acting especially well being Motorola, Philco, Zenith and Radio Corp. This superior market action is due, first of all, to general expectations that the final quarter of the year will show much better operating results than for any previous quarter. Some companies expect that the 4th quarter will produce profits from 50 to 60% of the total for the entire first nine months.

Running into acute inventory problems by the middle of the year, the industry has made great progress since in the reduction of sets in the hands of dealers and manufacturers from 2.5 million to 1 million. This was accomplished by considerable price reductions at the retail level. Manufacturers have almost cleaned up their inventory problem, with only 267,000 sets on hand against 781,000 sets a few months ago.

Utilities as "Defensive" Stocks

Profits, however, are considerably off from last year. Thus Motorola will not exceed $10 a share against $14.56 a share last year; Zenith's earnings are estimated at $9 against $17.22 a share (fiscal year changed to calendar basis); Philco's earnings are estimated at about $3 a share compared with $4.29, and Radio Corp. around $1.75-2.00 a share against $3.10. Despite these declines in earnings, the group not only resisted the general market sell-off but went into new high ground. Several, like Radio Corp. and Admiral did not quite get into new high territory but are very close to it at this writing. The group illustrates the fact that the stocks do not sell on past depressed earnings but in ratio to current and prospective earnings. Thus when the ratio became too low, as they were last summer, they refused to slide with the general market and went up against the trend.

Strength in the public utility issues which became rather pronounced in the past two months is due to the well-defined "defensive" character of this group. With investors more inclined to seek sheltered and stable-income issues, at a time when rising costs and taxes are commencing to have a greater effect on most other industries, it is logical that this group should rise against the general trend.

Power production has been breaking all records and revenues are continuing their steady gains. Furthermore, operating costs are being held in check, which is a characteristic of this stable industry. Taxes of course are higher but their impact generally is no threat to dividends. In most cases, dividends are being covered by adequate margins. Yields of from 5% to 6% are plentiful, offering conservative investors sufficient reason for making switches into this group from some of the more volatile industrials.

The accompanying table includes four important utilities that have made new highs recently in the face of a declining or uncertain general market. These are Brooklyn Union Gas, Cleveland Electric Illuminating, Consolidated Edison and Wisconsin Electric Power. American Gas & Electric, while not quite making a new high, has also acted extremely well.

Activity in Oil-Rails

Brooklyn Union Gas has continued to increase its earnings, to $3.42 a share for the first nine months of the year against $3.60 a share for the entire year 1951. As a reflection of this good position, the company has recently raised the dividend to 75 cents quarterly, offering the satisfactory yield of 5.5%. Cleveland Electric Illuminating common with a recent high of around 50 yields 4.8% on its $2.40 a share annual dividend. The dividend was more than covered in the first nine months and it is anticipated that last year's showing of $3.40 a share will be exceeded.

Consolidated Edison has also acted surprisingly well, with a new high above 33 despite its unfavorable earnings for the third quarter. The company is operating under the handicap of a net $10 million rate cut ordered by the Public Service Commission about three years ago. However, alleviation is hoped for when the Commission finally gets around to acting on the company's plea for relief. In the meantime, further betterment is expected from the use of increasing amounts of natural gas. At current price, the stock yields about 6% on its $2 annual dividend.

Wisconsin Electric's $1.30 dividend is being covered by an adequate margin, the first nine months' earnings for 1951 being $1.48 a share. Earnings of about $2.15 a share are expected for 1951 against $2.04 a share last year. The stock recently made a new high of 23⅞ where it yields 5.5%.

Two stocks in our table which have recently attracted the greatest attention by both the investing and speculating public are Canadian Pacific and Northern Pacific. In both cases, speculative activity has been caused by oil and gas developments on the very large land holdings of both railway systems. Strength in Canadian Pacific which made a new high of 33⅝ against a low of 21¾ earlier this year, was also aided by the five-for-one split-up in the shares of the Consolidated Mining & Smelting Co. (51.3% owned by Canadian Pacific) and the declaration of

an extra $4.50 dividend by Consolidated in addition to the usual semi-annual $1.50 dividend.

Northern Pacific, which has been a stellar performer for most of the year, recently reached a high of 70½ against a price of 56¾ several months ago at the bottom of the market decline. The rise of about 14 points has been tacked on to an even more extensive advance from a low of about 31 early this year.

Strength in Miscellaneous Issues

The fundamentals in this situation were explained in an article in the October 20 issue at which time it was pointed out that oil prospects which were a major speculative factor in the rise were of a long-range nature, and that the fundamental improvement in the company's earnings were due rather to its railway operations, especially its holdings in the Chicago, Burlington & Quincy system. In the meantime, it would not be surprising if a large short interest has been built up in the stock.

In contrast to the two above mentioned railway stocks which have been mightly influenced by oil prospects, Seaboard Airline on its railway position alone has managed to plough ahead into new high territory at 67⅝ compared with 61¾ at the bottom of the Oct.-Nov. decline. Earlier this year, the stock sold as low as 47. The steady rise in the stock has been caused entirely by continued record profits. This is one of the few roads that will duplicate or exceed last year's high earnings. It earned $12.33 a share in 1950. With the best seasonal traffic conditions just ahead and the steadily expanding base of industrial operations in the South, the road's improved condition has been attracting investment interest in recent months. The dividend has just been increased from $1.00 to $1.25 quarterly.

Outstanding in its performance, against the building group as a whole, has been the recent market action of Johns-Manville. The stock made a new high several weeks ago of 70½ and is currently selling at 66½, compared with 63¼ before the market started its decline in late October. The stock has been reflecting the company's impressive earnings which offer a marked contrast to many other industrials that have been severely affected by higher taxes. Apparently, the company has been able to offset higher taxes by excellent control over costs. At the present price, the stock yields 6.4% on its $4.25 dividend.

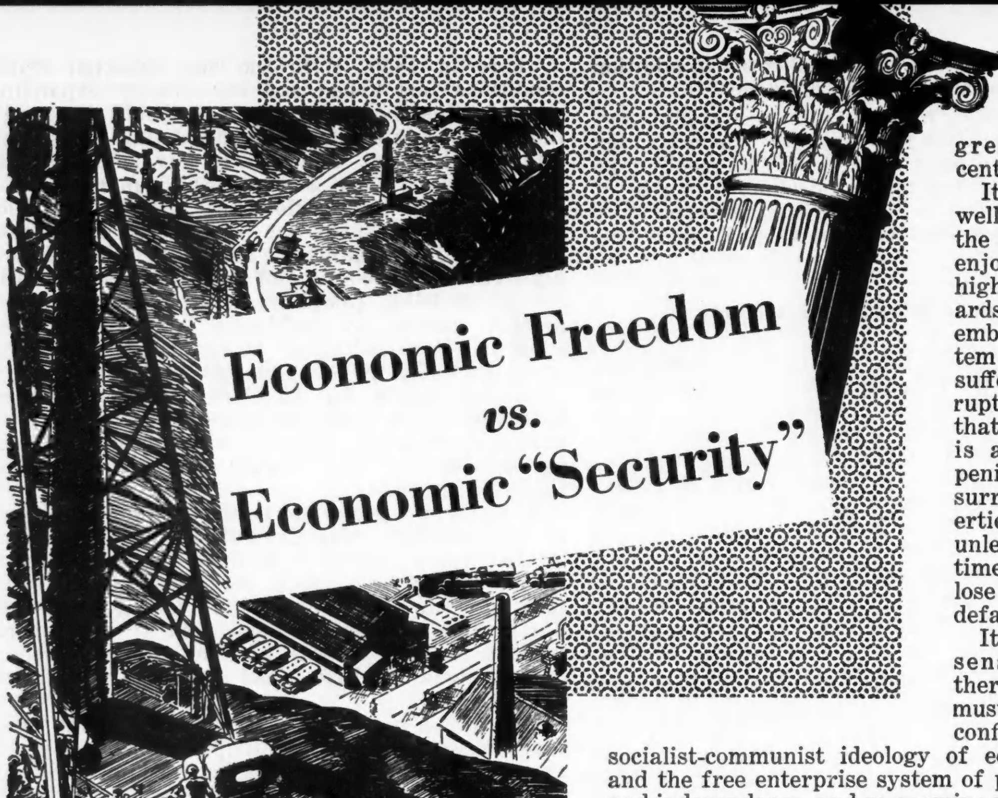
The oils as a group did relatively very well, most of these issues holding the bulk of their 1951 gains. Among them Standard Oil of New Jersey turned in an exceptionally good performance, the stock making a new high of over 74, about six points higher than it was at the bottom of the general market decline. It was noticeable during recent market weakness that SONJ offered strong resistance.

The reason is not difficult to find when the earnings are examined. It is anticipated that last year's net of $6.74 a share will be bettered by a considerable margin since the company earned practically as much in the first (*Please turn to page* 357)

Stocks Which Have Made New Highs During Recent Corrective Market Phase

	Market Price: Prior to Market Decline (10/13)	Market Price: At Approx. Bottom of Decline (11/24)	Market Price: Recent Price (12/17)	1951 Highs Made Since 11/2	Net Per Share: 9 Months 1951	Net Per Share: 1950	Indicated Div. 1951	Div. Yield
Dow-Jones Industrial Average	274.68	255.95	266.09	.....	....	....	....	....
American Airlines	15½	15⅝	17	17⅛	$1.33	$1.39	$ .50	3.0%
Beneficial Loan Corp.	30	31½	32⅜	32⅜	2.76	3.08	2.00	6.3
Brooklyn Union Gas	45¼	46¼	48¾	49⅛	3.42	3.60	2.70	5.5
Canadian Pacific Ry.	33⅝	29¾	36	38⅜	3.35[1]	3.32	1.75	4.8
Central & South West Corp.	15⅛	16¼	16¾	16⅞	1.03	1.44	.90	5.3
C. I. T. Financial	54	52¾	56½	57½	5.58	8.04	5.00	8.7
Cleveland Electric Illum.	48¼	49¼	49⅞	50½	2.67	3.40	2.40	4.8
Commercial Credit	59¼	58⅛	60⅝	61⅛	6.72	8.64	4.80	7.9
Consolidated Edison	32	31⅝	33⅜	33½	1.75	2.44	2.00	6.1
Continental Can	39⅞	43	44⅝	44⅞	3.75	4.53	2.00	4.5
Eastern Air Lines	25	25⅛	29¾	29¾	1.62	2.10	.50	1.8
Ex-Cell-O Corp.	41½	40¼	50¾	53	4.87	5.56	2.00	4.0
Food Machinery & Chemical	47¼	48¾	53	54	3.16	3.35	1.75	3.3
Johns-Manville	63¼	69¼	66¾	70½	6.10	7.22	4.25	6.4
McGraw Electric	51¾	53	58½	60	5.53	9.23	3.50	6.1
Motorola	51¼	51¼	55½	57¾	6.06	14.56	2.00[7]	3.6
Murphy (G. C.) Co.	56½	55¼	59⅞	60	4.60[1]	4.68	2.375	4.0
Northern Pacific Ry.	59⅞	56¾	66¾	70½	3.02	7.87	3.00	4.5
Seaboard Air Line R.R.	63½	61¾	66⅝	67⅝	9.16[2]	12.23	4.25	6.4
Seaboard Finance Co.	19¾	19⅞	20¾	21¼	2.06[3]	2.04	1.80	8.5
Standard Oil of N. J.	68⅝	67⅛	73⅛	73⅛	6.65	6.74	4.125	5.7
United Air Lines	28⅛	30	35	35⅝	3.04	2.91	1.50	4.6
United Engineering & Fdry.	52½	48¾	56⅝	61¾	2.33[4]	6.39	3.00	5.3
Virginia-Carolina Chemical	20⅝	20¼	28	24¼	.29[5]	6.31[6]	......	....
Wisconsin Electric Power	21⅞	23	23¼	23⅞	1.48	2.04	1.30	5.5

1—Estimated for full year 1951.
2—10 months ended Oct. 31, 1951.
3—Year ended Sept. 30, 1951.
4—6 months ended June 30, 1951.
5—Quarter ended Sept. 30, 1951.
6—Year ended June 30, 1951.
7—Plus stock.



Economic Freedom *vs.* Economic "Security"

By JOHN D. C. WELDON

No one will question the fact that the American economy is the strongest and most dynamic the world has ever seen. Some attribute this to our great natural resources, some to the inherent vigor of our people. Certainly these are important factors but they are hardly the whole story. If they were, many other nations would be our equal and some perhaps would have made even greater progress.

There is no doubt at all that this nation's greatness is due mainly to the fact that under our principle of individual liberty, each has been given the opportunity to do his best and to retain the fruits of his labor. Human incentive, in other words, has been given its widest possible scope.

Our tremendous progress over the years has been no accident. It was achieved because it was founded squarely upon the concept of liberty, and human progress has always been synonymous with human freedom. Any attack of freedom thus is bound to impede progress.

The unfortunate fact is that freedom today is under serious attack. It is under attack from without by communist aggression which we are determined to resist. But we seem far less determined to defend our liberties against attack from within, the mounting encroachment upon the fundamental economic processes by which we live in a free society and which have made our country great.

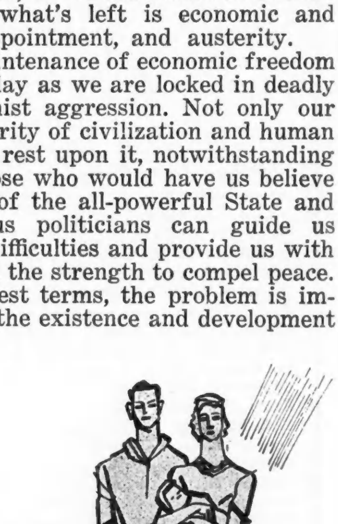
This attack from within, carried out under the political anesthetic called "security", under disguise of welfare state objectives, has already taken us, slowly but steadily, down the road to socialism. We have travelled this road regardless of lessons from the unhappy experience of nations all over the world, foremost among them the fundamental lesson that there can be no security without freedom, no hope without opportunity, and no progress without incentive.

It is amazing as well as alarming that the American people, enjoying the world's highest living standards, seem willing to embrace another system which has led to suffering and bankruptcy elsewhere. Yet that is exactly what is apparently happening. We have been surrendering our liberties piecemeal and unless we awaken in time, we may well lose the decision by default.

It is not without a sense of urgency, therefore, that one must review the basic conflict between the socialist-communist ideology of economic security and the free enterprise system of personal freedom and independence, and re-examine whether it is wise to surrender individual opportunity and trade it for economic security which at best will always remain an elusive goal, and a costly one. After all, welfare states can go broke too, as we have seen in Britain and elsewhere, and what's left is economic and political chaos, disappointment, and austerity.

Because of this, maintenance of economic freedom is doubly essential today as we are locked in deadly conflict with communist aggression. Not only our own fate, but the security of civilization and human freedom in the world rest upon it, notwithstanding the contentions of those who would have us believe that only the genius of the all-powerful State and the alawys ambitious politicians can guide us through our present difficulties and provide us with the sinews of war and the strength to compel peace.

Stated in its broadest terms, the problem is implied in the fact that the existence and development of a free system is most consonant with peace and the prospect of peace. We should not lose sight of this under the stress of preparing for defense. Yet encroachment on free enterprise continues at an accelerated pace, both in the name of preparedness and human progress. The burdens of defense may be great but the political call for socialistic experiments continues, with their implicit ex-



travagance and inflationary spending.

It is of course not difficult to find some moral justification and even economic argument for a welfare program, a program allegedly designed to give economic security to all the people. There is no dispute over human welfare, over the need for greatest possible security. These are desirable objectives; the real dispute is over the wisest methods of achieving them. Additionally, there should be willingness to recognize the weaknesses and limitations of any such program, and its real nature.

After all, under a welfare state, the earnings of the more productive and efficient individuals are tapped for the benefit of the less productive and less efficient. The State becomes the instrument to effectuate this transfer of income from one group to another—and that is socialism. The State imposes heavier taxes on the more productive, subsidizes the less productive, and additionally sets up areas and sectors of protection—free from the rigors of competition.

Socialism Leads to Regimentation

We have already far advanced along this road—by means of the progressive income tax, stiff estate and inheritance taxes, constantly expanding areas of individual welfare, by money market control, by governmental bias in favor of organized labor, by subsidation of agriculture, by subsidized housing, by the vast coverage of the population under our social security system.

In its overall effects, this attempts to level and socialize income, and to set aside and negate the free market as a guide to production through controls, subsidies, Government guarantees, plain handouts and a host of other devices. What's more, the welfare state tends to merge economics and politics, and must rely for existence on unlimited rather than limited Government, eventually leading to regimentation and tyranny.

The speed with which some politicians have embraced the welfare state makes one wonder whether the people need the welfare state as much as the politicians do. The latter may be as sincere and conscientious as the next man, but they are under daily temptation to make promises and propose laws whose primary effect, so far as they are concerned, is to insure their own election or reelection. We need only recall the most popular vote-getting slogans. "Share the wealth" doubtless had tremendous pulling power, and thus has become a real factor in politics.

What Price Security?

But "sharing the wealth" can have dangerous consequences. It means that a nation either is devoting some part of its production to welfare purposes, or that some part of past production (accumulated savings) is so used. Only rich societies can afford this and even then it means sliding living standards in the end. The danger is that in pursuing such programs, they may soon cease to be rich, so that the necessary condition for welfare programs simply disappears. Worse yet, it is apt to create "vested interests" which insist that such programs continue and expand even if it involves debt and inflation, and ultimately regimentation and force.

That is the logic of the politics of the situation, as already indicated. But no amount of welfare, no amount of debt and inflation, no amount of political pressure can overcome the fact that real social gains necessarily depend on production. And production, in turn, depends on incentive, the mainspring of the free enterprise system.

Because this is axiomatic, Government should accept that we cannot have a welfare state and freedom of enterprise, that we cannot have full employment unless business is fostered and encouraged rather than attacked and impeded. Business in turn must realize that free enterprise cannot merely be a way of life that satisfies the needs and aspirations of business. If it is to survive, it must also develop its full potentialities for human living, that is, it must be as meaningful in the lives of the workers as it is in the lives of those who own and manage business and industry. And business must further recognize, as it doubtless does, that the scope of welfare activities must necessarily increase as our living standards advance, the more so since full employment is now recognized as a welfare objective.

Finally, what business can and must do is to oppose as strenuously as possible the extravagance and inefficiency in the conduct of welfare activities, and to see that its scope remains within the possible lest it endanger our economic health, and thereby the security of all the people. This point is particularly topical today in view of the burdens imposed by the preparedness program. The realities loudly call for a "halt" in socialistic experimentation if only to assure that we retain the strength required to defend ourselves and human freedom. Unless the call is heeded, we might well ask the question: What price security?

Deepening the inflation peril through lavish welfare spending will merely jeopardize security, not create or increase it. While high living standards may be temporarily engendered in this manner, they cannot last. What's more, they will be at the expense of future generations if only because higher consumption through the medium of inflation and excessive taxation will likely destroy the sources of risk capital, the seed corn of future prosperity.

Socialism the Father of Bankruptcy

The current inflationary trend, aggravated by "welfare" spending, thus is a matter of genuine concern. The cost of welfare, whether raised by taxes or imposed on industry, immediately becomes a cost of production, thus makes for higher prices unless offset by higher productivity. How this works is poignantly illustrated by the impact of the many "rounds" of postwar wage increases with their increasing emphasis on "security." Too often ignored is the obvious fact that as prices spiral upwards, the value of security benefits shrinks. If anything, the worker gets less rather than more security. Carried to its ultimate absurdity as in Britain, any such "noble experiment" in socialism is bound to come to an abrupt end for a very simple, prosaic reason: Lack of money, if not actual bankruptcy.

The historic record tells us that socialism has never yet accomplished security for a people, while American free enterprise has given this nation not only the highest standard of living but a great deal more security than is found elsewhere. Certainly capitalism has been able to hold consumption levels higher than any other economic system yet devised while master-planned economies have failed throughout the history (*Please turn to page* 356)

IN SEASON: YEAR-END STATEMENTS

By E. K. T.

ADJUSTMENT of an inequality that has grown out of a Salary Stabilization Board rule affecting pay increases for executives on the higher levels is being readied. A direct relationship between the salaried personnel and the wage earners seemed fair enough; if one classification were to receive X per cent pay boost, the other would be fairly treated if it, too, received X per cent more. But it doesn't work out that way. The new tax bill hits the high-pay group many times harder than the wage earner. The latter reaps the benefit of a pay increase of percentage figure which would add almost nothing to a high-salaried man who would find $2 of each $3 "raise" going back to the Treasury.

RESULT has been a call upon the exercise of the greatest ingenuity to be found in the accounting and tax departments of large corporations to discover ways and means of retaining executive personnel and give it a proportionate share of the benefits of profits. The federal agencies likewise have been kept busy examining plans, rejecting most of them, and reminding that large fines and jail terms await anyone violating the controls. On the SSB top level, however, there's disposition to cooperate with business, to look favorably on larger expense allowances, full salary upon retirement, long-term contracts for profit sharing, better deals on sales of stock options.

GUIDANCE for a $100,000-a-year income man on how to save $26,048 in federal income taxes has been given by Senator Hubert Humphrey, not because he approves it but because he wants to show a "glaring loophole" in the new tax bill. Here's how: form a family partnership admitting your wife and two children as partners, dividing the income four ways for tax purposes. On the parents' joint return they pay tax of $19,592; each of the child partners has tax of $9,796. The total is $39,184, a saving of $26,048, says Humphrey who made the computations himself. In private life he's a pharmacist, not an accountant.

ARTISTIC TEMPERAMENT, the Public Housing Adminministration says, dismissively, of the action by 13 of the 16 members of PHA's architectural advisory committee who "took a walk" and refused to serve any longer. The draftsmen reply with the charge that there is unmistakable evidence that the government agency is blaming their profession for slow operations and high costs.

WASHINGTON SEES

A torrent of year-end economic statements with forecasts for the New Year is gushing out of Washington agencies and when put in the crucible of close examination, the remains are found to be almost stereotypes of those of other calendar year closings.

Like the political "experts" whose predictions say, in effect, that the democrats will win if the republicans don't, the government analysts have come up with the forecast that the economy is certain to remain on even keel in 1952, if it doesn't drop into a state of imbalance. They can't lose!

Yet it probably is unfair to blame the forecasters. Newspapers of general circulation demand year-end statements from heads of all of the departments concerned with business, then chop down a few thousand words to lift a paragraph, frequently out of context, and often carrying a single expression without any supporting evidence. The tests seem to be: is it easy to read, and is it optimistic enough?

A dozen private groups and scores of members of congress are cautioning that spending must be curbed, taxes have reached the breaking point. But the President's Council of Economic Advisers takes a diametrically opposed view. Somebody obviously is wrong and since respectable authority is quoted on all sides, the situation resolves itself into one of "you pay your money and you take your pick."

The weakness probably stems from the fact that there is no clearing house in Washington through which all the economic data clears.

As We Go To Press

It's a "new Taft" who's hitting the trail toward the GOP Presidential nomination he hopes to win and seems far in the lead for (barring, always, the entry of General Eisenhower). The transition intrigues Washington political writers. It is a combination of little things and some fundamental changes, all calculated to improve the senator's chances. The changeover is causing some dissension in the Taft camp; the oldsters don't like the switch from the established Taft, but the vigorous newcomers point out with some degree of logic that the old methods didn't work.

Senator Taft is being given a political face-lifting and beautification treatment. In frank recognition of the fact that television coverage of this campaign will come into its real importance for the first time and that other media--newspapers and magazines--will contest it with a deluge of pictures, his backers are readying their candidate for the cameras. His severe steel-rimmed eye glasses already have been put into discard, and his standard blue serge suits will be varied. His charm school tutors are telling him to smile more, laugh less--unless he feels the audience is likely to share the laugh.

But important as the pictorial presentation is agreed to be (when Frank Knox was running for vice president, he had a perfectly good tooth removed and a false one substituted because the good tooth was discolored and left an apparent space, in newspaper pictures), there are several other alterations in the Taft political structure. The senator has always been a political "lone wolf." He insisted on managing his own campaigns, determining the strategy and applying it--with success only in his own state. He literally shuddered at the thought of profesional talent interested only in results and caring little about the personalities and the issues.

Senator Taft went into the 1940 campaign a political novice on the national scale although he was regarded a front runner. He was truly amazed when a political unknown--Wendell Willkie who had never held public office of any kind and was a recent convert to the republican party--walked away with the nomination. Willkie had a professional organization. In 1948 he came back into the Presidential fray, after stepping aside four years earlier to assure fellow Ohioan John Bricker the vice presidential nod. By that time he had a campaign manager, Rep. Clarence Brown, who handled the vote drive in a bull-in-the-china-shop fashion and got nowhere. Brown has been relegated this time to chairman of the publicity committee at the convention.

Senator Taft "decentralized" for his last Ohio campaign and came in a victor with almost half a million votes to spare. He caught the idea, accepted it. Now his organization is composed of several politically experienced intimate friends and several professionals including Victor Johnson who was with Stassen at the beginning, given over to Dewey when the New Yorker captured the nomination, and is regarded a political genius. He has nothing in common with Robert A. Taft other than a desire for republican victory, but his employment by Taft is proof that aggressiveness has taken over where the simple appeal to reason once prevailed, that this time Taft will fight for it, knowing he must win or give up for all time.

Government employees, comprising the largest "industry" in the Nation's Capital and probably doubling the combined manpower of all other payroll listings here, held a union meeting recently. They have a union, although government workers are statutorily denied the right to strike. But their union has deeper roots than any other; its roots go back to the cities and towns from whence they came and to the political groups which sponsored their appointments in the first instance (most of them later became civil service workers, many through noncompetitive examinations.) They met to protest the fact that the salary raise voted them in the closing days of congress, retro-

active in most instances for many months, was not being computed and paid as promptly as they expected. And they wound up with a new, additional wage demand, due in January!

President Truman has won a partial victory by creating, through indirection, a fair employment practices committee to which the southern bloc of congressmen apparently cannot direct a telling attack and the republicans seem foreclosed from condemning. FEPC has been dropped, for this agency would deal only with federal contracts and is named the Committee on Government Contract Compliance. It cannot be legislated out of business as the first FEPC was by denial of appropriations; members will be paid on a per diem basis from general funds. It forbids denial of employment on the basis of race, color, or creed--which is exactly what the law now says and a contract provision warns against. And it is advisory and educational, not given enforcement powers, and that's what the GOP solidly supported last year under the leadership of Senator Taft.

Farm groups found an eye-opener in the production goals announcement of the Department of Agriculture for 1952. It adds up to an all-time high and the farmers are asking aloud whether the tools, and the chemicals and the financing are going to be provided. If the goals for spring-planted crops and those already announced are attained, together with the anticipated high level of livestock production, total farm production in 1952 will be about four per cent greater than the record indicated for this year and almost 50 per cent above the 1935-1939 prewar average.

Farmers are asked to give corn and grain sorghum priority over less productive grains next year. A corn goal of 3,375 million bushels will require higher yields on about 89 million acres. The cotton goal is 16 million bales, the same as in 1951, and the soybean goal is 276 million bushels. The 1952 wheat goal of 1,165 bushels was announced in July.

The Department of Agriculture sees the need, especially for feed grains as "the greatest we have faced"--mindful, USDA officials reassure, of wartime years and other periods of extraordinary demands. Increased population, rising living standards, foreign commitments, combine with the Korean situation to cause this.

Key to the Administration's overall objectives in economic planning may have been revealed in Leon Keyserling's most recent formal utterances, but it's hardly man-in-the-street explanation. The chairman of the President's Council of Economic Advisers found fault with past practice which, he said, segregated problems, indulged in short-range planning and failed to fit the separate issues into a closely knit whole. Keyserling's cure was planning "on the basis of all-inclusiveness and more purposefulness." And as a side proposition he asked rejection of the "notion" that government spending will wreck the national economy.

If nobody is toying with the facts (or is ignorant of them), the tightness in steel supply will be over in the second quarter of next year and federal controls will be off. Spokesmen for U. S. Steel and Bethlehem Steel Corporation have informed a senate committee that the industry's expansion program and output has moved ahead so fast that they will be looking for customers before the middle of 1952, and that their bins will be crowded with surplus steel. In fact they saw no need for the Controlled Materials distributive plan even now. DPA boss Manly Fleischmann insisted CMP is still needed but assured he'd "be the first" to advocate its relegation if the situation envisioned by the industry men comes to pass.

Defense Secretary Robert A. Lovett's headlined announcement that the military budget next year shapes up as a 45-billion dollar spending as against 59 billions this year was, if nothing else, an improvement over the current costs. But the headlines, as frequently happens, didn't tell the entire story. The $45 billion is a "working figure," Lovett said later in his press conference, but that major amendment didn't get into all the publications. By way of starting off, the air force would be increased by 50 per cent; other outlays seemed roughly to follow the same upward spiral. Which sounds like spending more, not less, money.

Troubles in France

—*What's Behind the Weakness of the Franc?*

By V. L. HOROTH

"The Minister of Finance does not defend the currency by himself. If Frenchmen really wish to defend it, it will be saved . . ." These were the words of the French Minister of Finance, M. Rene Mayer, when he was asked about a possible devaluation of the French franc. This was some two months ago.

Since then, the Frenchmen have shown little inclination to defend it. On the contrary, they have continued to hedge against its possible devaluation by buying Belgian and Swiss francs and dollars, even though the Government has taken measures to discourage the outflow of capital. In recent weeks, the dollar has bought 460 francs in Paris and New York, as against a free rate of 370 francs last summer and the official rate of 350 francs per dollar.

Another indicator of the state of alarm over the franc has been the price of gold bars, which were recently quoted at almost 580,000 francs per kilo (2.2 lb.) as against 515,000 francs in June. A new development has been the widespread hedging in copper, lead, wool and other commodities. The Paris stock market, which was prostrate for months and years, has all of a sudden experienced an unprecedented boom. As will be seen from the accompanying table, industrial stock prices gained nearly 50 per cent during the first ten months of 1951; the boom in colonial equities has been even greater.

Why all this uneasiness about the future of the franc? The explanation is simple enough. After seeing the franc devalued five times since the end of the war, the average Frenchman cannot help concluding from the signs all around him that his country is once more losing in the fight with the old enemy, inflation, even before the rearmament program has really gotten under way. Going back to the table, it will be seen that the French wholesale price index already rose some 45 per cent since the outbreak of the Korean war, or nearly twice as much as in Great Britain.

Living costs in France advanced nearly 26 per cent in the last year and a half, and the last rise has not been seen yet. Food prices are going up partly because the harvest this year was not particularly good. To induce the French farmer — always efficient at withholding his produce from the market — to sell, the Government raised last August the official wheat price by some 38 per cent, but will have to bear most of the increased cost in order to keep bread prices down. Rents are going up regularly every six months because of a Parliament degree. Costs of almost everything else are rising also: gas, coal, electricity, railway and bus fares.

Moreover, there is little chance that the upward price trend will be arrested soon. The unions and the government employees are already clamoring for another round of wage increases. The first one, granted last Spring, raised the minimum wage rates some 11½ per cent, and the second one, approved last September, 15 per cent.

Why does France yield ground more easily when it comes to battling inflation than almost any other European country? There are three basic answers: (1) incomplete postwar recovery of the country, (2) unwillingness to apply controls over prices and wages, and (3) chronically weak governments.

French Industry Not Fully Modernized

The French economy has not fully recovered from the war. A great deal of postwar reconstruction is yet to be finished. The acute housing problem in some areas has hardly been tackled. The ambitious Monnet Plan calling for the modernization of French industries has been carried out to the extent of only about 70 per cent. Much remains to be done in general.

Similarly, France failed to go through the delicate adjustments of prices, costs and wages following a long period of rapid currency devaluations. For almost one year—from September 1949 to the fall of 1950—France was able to maintain an exceed-

France: Government Finances

(In Billions of Francs)

	1949	1950	1951 Budget Est.
EXPENDITURES:			
I. Ordinary	1,181	1,537	1,700
National Defense	339	630	800
Subsidies to Gov. enter.	185	155	143
Other	657	752	757
II. Capital Outlays	1,003	939	932
Total Expenditures	2,184	2,476	2,632
REVENUES:			
I. Ordinary	1,511	1,778	1,997
Income taxes	350	523	578
Excise and sales taxes	811	903	1,037
Other revenues	350	352	382
II. Extra-ordinary rev.	311	229	261
Counterpart funds	263	195	255
Other extra rev.	48	34	6
Total Revenues	1,822	2,007	2,258
Deficit	—362	—469	—374

ingly frail equilibrium between inflationary and deflationary forces. The average Frenchman's trust in the franc was just beginning to return, when his confidence received another shock: the inflationary rise in commodity prices following the outbreak of the Korean war. The necessity to assume additional armament burden pushed France still further into the inflationary maelstrom.

While the French Government agreed to a three-year rearmament program involving expenditures of about Fr. 2,100 billion over a period of three years, the French Government has taken no steps—until quite recently — to influence rearmament through imposing restrictions on consumption (which could cut the standard of living), on welfare state projects, or on the program of development and re-equipment of agriculture and industry known as the Monnet Plan. Nobody inside or outside of the Government wished to reimpose wartime controls.

The idea was that the French economy would be able to take the additional armament burden in its stride—if America helped and if the great program aimed at the expansion of productive facilities was not interfered with. Simply a return to a managed economy was ruled out because of France's unhappy experience with controls, and full trust was put in "discipline in freedom" and, of course, America's help with raw materials.

The present French Government is unstable and weak and in general lacks the stamina to deal with the critical situation. This was implied in the Finance Minister's admonishment: the franc can be saved if the country elects or gives power to the government to deal with the situation.

Parliament Badly Divided

How much hope there is, is difficult to say. Apparently little. The traditions of the Third Republic have not died out yet. Although the electoral reform was supposed to keep out the negative element, the communists in particular, the present parliament and coalition government are divided against themselves and are weak, as have been all the governments since the end of the Second World War.

The conservatives talk about a cut in the cost of social services and about the reorganization of the nationalized industries, which they claim are unable to increase production. The socialists advocate a "soak-the-rich" financial policy. The de Gaullists oppose the present Western European defense set up, and the communists are against it altogether. Talk of austerity is seldom heard in the French parliament. It is rather a case of everybody for himself and the devil take the hindmost. Under the circumstances, it is no wonder that the average Frenchman is taking no chances with the franc.

Production at Record High

Yet the present crisis rocking the franc is quite different from the earlier postwar examples, which were largely of the "too much purchasing power chasing too few goods" variety. On the contrary. Despite successive wage increases — which have lagged behind the price rises—there have been no popular rush to buy goods. The rise in the money supply (circulation and demand deposits) seems to be less than the rise in prices.

As a matter of fact, France has never been producing more goods than she is doing at present. Turning to our table, one will see that industrial production, for example, is some 40 per cent above prewar, and at a record level. The output of electricity, thanks to the construction of several huge hydro-electrical projects, is almost twice as high as prewar. The country is producing motor vehicles at an annual rate of nearly 500,000, which is several times more than before the war. Steel output (including the Saar) is at an annual rate of better than 12 million tons compared with about 9.5 million in the former best postwar year.

A number of other French industries are reporting a banner year in respect to production and profits: cement, shipbuilding, metal working industries, and rayon. The gross national product of France is estimated for 1951 at around $28 billion as compared with about $16 billion before the war. Productivity has been gaining in all but the nationalized industries, coal in particular.

As a matter of fact, the worsening coal supply situation is one of the direct causes of the present troubles. Output, to be sure, increased slightly during this year, but not enough to permit the French industries to raise the output of their plants to capacity. This was important, because as was seen, the French Government had banked on the increase in production as a means of keeping down inflation. Second, instead of getting coal from non-dollar sources—Germany, Belgium, and Great Britain—France was forced to turn to the United States at a time when her dollars began to run short.

One cannot avoid coming to the conclusion that psychological motives—the French public's general distrust of the Government's handling of the situation—may have made matters seem worse than they actually are. It has already been mentioned that French production is unusually high. Similarly, there was nothing unusual in France's widening gap in international payments. All industrial countries have felt the effect of the increased raw material prices, besides being forced to import more in order to prepare to carry out rearmament programs.

However, early this fall, France was forced to take a more serious view of her international pay-

ment position as the Bank of France's foreign exchange resources began to dwindle. At this writing, these resources are down to about $200 million as against $553 million last March. The deterioration of the international position has been due to (1) French exports losing ground in international markets to German and Japanese goods, partly because a steep rise in production costs lowered their competitive ability; (2) the flight of capital which took place via the old custom of underbilling exports, imposing additional strain on the slim foreign exchange resources of the Bank of France; (3) the necessity to increase coal purchases and to shift them to the dollar area.

At the beginning of the year, France's purchases from the dollar area, running at an annual rate of about $700 million, were easily covered by exports, Marshall aid, and tourist expenditures. But by the second half of the year, the gap began to widen rapidly. Imports increased to an annual rate of almost $900 million, while the rate of exports declined and was able to cover only about 40% of the imports. Marshall Plan aid was reduced or not received at all, while dollar coal purchases were being stepped up to an annual rate of about $300 million.

New U. S. Aid

By early November, the Minister of Finance saw no other way out but to announce a drastic cut in imports from the United States to $500 million a year, the largest reduction to be made in the import of cotton, farm products, and non-essentials. At this point, French troubles evoked sympathy in Washington, and it was agreed early this month to make available to France some $600 million during the fiscal year ending next June 30.

Of this amount, $200 million will be given in direct economic aid, and $400 million will be spent for maintenance of American troops stationed in France and for purchase of military goods which the French economy can produce for the United States and N.A.T.O. forces. These amounts in addition to the French exports to the dollar area and the expenditures of American tourists in France (and private expenditures of American soldiers) should give France considerably more than $1 billion to finance her purchases in the United States.

While the problem of the dollar gap was being solved, France attempted to curb the flight of capital. Tourist expenditures were restricted by limiting the number of visits abroad. Speculation in commodities was held down by allowing payments only after the goods were imported, etc.

With the balance of international payments bolstered for the time being, the main bugaboo of the inflation-minded French citizen is now the unbalanced budget. The budget for 1951 was drawn up with expenditures at about 2,600 billion francs, of which some 750 billion (29 per cent) were to be spent on national defense. The deficit was to be about 500 billion francs.

Large Budget Deficit

But the budget has not been lived up to. The price and wage rises have played havoc with it, and the general expenditures and the deficit will be much higher than planned, with national defense costing around 800 billion francs. Then there is the matter of the new 1952 budget, in which defense expenditures are budgeted at about 1,000 billion (one trillion) francs. Actually, as the London Financial Chronicle points out, the increase in defense expenditures is more than offset by the rise of prices.

And the 1952 deficit looms larger than ever, possibly one trillion francs if the Government does not find a way of increasing taxes. The way of collecting revenues through excise taxes has its limitations, and though the French government has the matter of tax reform under study continually, nothing concrete is being done in the way of collecting greater income taxes, which in the highest brackets are said to be around 12 to 15 per cent of income.

The great problem now is how the "discipline in freedom" will work. Will the non-essential investment and consumption be voluntarily kept down in order to make possible the financing of the rearmament program from (*Please turn to page* 355)

Key Figures on France's Economy

	Dec. 1949	Dec. 1950	May 1951	June 1951	Aug. 1951	Sept. 1951	Oct. 1951
I. INFLATION INDICATORS:							
Free market for dollar	391	384	396	372	388	410	440
Free market for gold bars (francs per one gram)	......	505	539	518	515	542	567
Industrial securities (1937 = 100)	1,175	1,142	1,320	1,388	1,522	1,617	1,648
Money in circ. (bil. francs)	1,301	1,590	1,607	1,699	1,754	1,779	1,828
Foreign exch. (B. of Fr.) (mill. $)							
Wholesale prices (1949 = 100)	103	120	134	138	134	137	146
Cost of living (1949 = 100)	105	117	124	129	131	133	136
Hourly wage rates (1949 = 100)	102	121	128	139	......	......	......
II. PRODUCTION INDICATORS:							
Industrial output (1938 = 100)	120	125	......	146	119	141	
Coal output (1938 = 100)	112	110	......	114	107	113	
Electric power (1938 = 100)	153	169	......	192	166	185	
Automobile ind. (an. rate) (000)	285	357	430	450	490	......	
Steel output (Saar incl.) ann. rate (mil. tons)	10.9	10.5	12.3	12.6	11.9	......	
III. FOREIGN TRADE:	(Full Years)			(Cumulative)			
Imports: Dollar Area	693	574	163	358	501	583	
Sterling area	682	864	367	833	1,127	1,232	
All other for. areas	1,023	1,334	409	916	1,249	1,429	
Total	2,398	2,772	939	2,107	2,877	3,244	
Exports: Dollar area	97	210	106	213	273	315	
Sterling area	329	497	175	392	511	567	
All other for. areas	1,174	1,690	555	1,103	1,417	1,578	
Total	1,600	2,397	836	1,708	2,201	2,460	

Expansion of....
CORPORATE LONG-TERM DEBT

By J. C. CLIFFORD

An increasing number of corporations are financing their requirements through the sale of long-term bond issues, the inevitable reflection of the growing tightness of the money market, with banks less willing to increase their commercial loans. In fact, these loans which are now at an historic high will probably be cut back in succeeding months. With access to bank loans, therefore, more limited than earlier in the year, corporations whose financing programs are still uncompleted are compelled to resort to the sale of new securities with which to acquire the necessary funds.

The most striking feature of the trend in new financing is not only the increased volume of new long-term bond offerings, but the plans of an increasing number of corporations to enter the market in the near future. This is particularly true of manufacturing concerns whose long-term bond financing reached a volume of $1.5 billion in the first nine months of this year, more than double the $735 million floated in the same period of last year. This trend is very likely to broaden well into next year since the rise in short-term interest rates is causing corporations to seek the more desirable alternative, under present conditions, of long-term financing, despite the higher cost of the latter as compared with the earlier part of the year.

In this connection, corporations which completed their financing programs earlier in the year have obviously gained an advantage since they were able to finance themselves at the then lower prevailing rates. Yields must now approximate at least 3% compared with the 2.60% of a few months ago, if the financing of high-grade mortgage bonds is to be successful. Equally, with the buyers market now prevailing in the bond market, borrowers must pay about 3¾% on medium and long-term notes compared with the former rate of 3¼%. Many corporations are not deterred by the extra cost of long-term borrowing, however, since in view of EPT the decline in income tax liability resulting from these borrowings may compensate for the higher interest charges on the new bonds.

The situation in government bonds has a direct bearing on the prices and yields at which more or less equivalent grade bonds can be sold. Since last Spring, when the Treasury removed the peg, long-term issues have been in a downtrend, except for comparatively brief periods, with the result that the yield on the longest maturity is now 2.70%, compared with 2.44% at the end of last year.

Institutional buyers, in selecting new bonds for their portfolios generally apply the rough rule of adding about 15% to the maturity yield of the longest-term ineligible government bonds in order to obtain an attractive yield. Applying this guide, with government 2½s yielding 2.70%, would bring the required yield on high-grade corporates up to 3.15%. This is about where most high-grade mortgage issues are now offered.

Financing of Long-term Expansion

The accompanying table illustrates the prevailing rates at which high-grade long-term bonds and notes have been sold recently. The most striking of these are the Westinghouse Electric and Union Carbide issues of $300 million apiece which were sold privately at 3½% and 3¾% respectively. Another interesting issue was the 3% first mortgage bonds of the Jones & Laughlin Co. This is about the lowest rate at which any important long-term bond has been sold recently, attesting to its prime quality as a mortgage issue. Otherwise, rates as illustrated in the table have ranged from 3¼% to 3¾% on the average, with the one exception of the Colorado Fuel & iron mortgage issue with a coupon rate of 4¼%.

Financing of this type is not only for the current purpose of plant additions and new equipment, arising from mounting military requirements, but also for long-range capital improvements which have little or nothing to do with armament production. For this, very large sums are needed by many companies, as witness the Westinghouse and Union Carbide financing whose purpose is to provide for the needs of these companies many years hence.

Current short-term commercial loans, on the other hand, are mainly for the purpose of carrying the very large inventories now on hand.

A significant aspect of the trend to long-range financing is that corporations are less able to finance their capital requirements from retained earnings. For the first nine months of the year, new money issues for plant and equipment represented 22% of the amount spent for these purposes, compared with 20% for the same period last year. With the decline in earnings caused by higher operating expenses and taxes, it is likely that this growing dependence on the capital markets will increase if programs for plant and equipment expansion are to be fulfilled without bringing about too great a strain on working capital.

Actually, corporate profits are now at the annual rate of about $18 billion compared with the rate of $27.8 billion for the final quarter of last year. In a setting of this sort, corporations which are looking far ahead, are impelled to turn to long-range financing as a means not only of providing for current and prospective capital needs but also, of equal importance, of buttressing their financial position in the event of a further profit decline.

Bond Financing Now Regarded Favorably

Managements take quite a different attitude nowadays toward bond financing than was the case years ago. At that time, particularly during and directly after the depression, corporations were extremely reluctant to resort to the sale of bonds for fear that this would lead to an unmanageable corporate structure at a time when earnings were slim. In order to avoid such a contingency, they often sacrificed the undeniable benefits of the then existing low interest rates and, more particularly, the savings made possible by tax benefits, since interest payments are deductible from taxable income.

However, it was felt at that time, owing to the uncertain business conditions then prevalent, that it would be wiser to forego this type of financing and thus avoid the burden of fixed interest payments and the necessity of repaying principal at what might later prove a disadvantageous time.

Since the ending of the war and more particularly in recent years, increased profits and greater financial strength built up during the war and post-war years have caused managements to alter their hitherto unfavorable view of bond financing. This is illustrated by the fact that since the end of the war, bonds and notes offered for sale by corporations have ranged from $5 billion to nearly $7 billion with 1951 figures close to $6 billion.

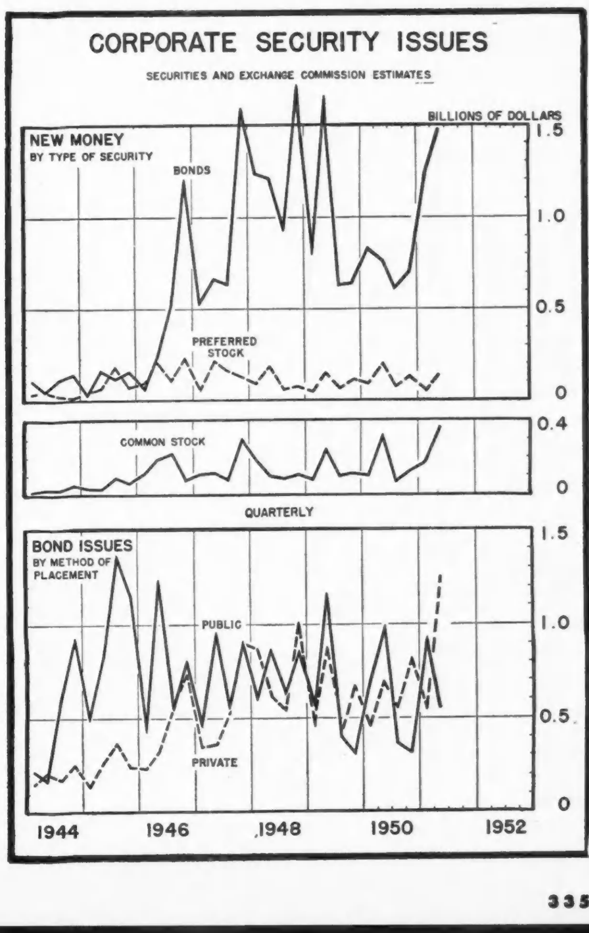
Along with the change in the attitude of corporate managements has come a change in the attitude of investors themselves who realize that bond financing may possess favorable implications for the stockholder, whereas in former years they generally regarded the sale of new bonds by their companies with something less than enthusiasm for fear that the additional interest payments would affect their share of earnings. More specifically, long-term debt financing creates additional safeguards for the stockholder in the form of (1) protection of earnings against stock dilution, which would occur where new financing takes the form of stock instead of bonds, and (2) better support for dividend rates, as low-cost borrowing tends to reduce the effect of lower profits, should they occur.

There are also several subsidiary results of long-range financing with regard to the policies of institutional investors. One is that the greater availability of high-grade long-term bonds, as is true under present and prospective conditions in the bond market, limits the possibility of a shortage of institutional investments. On the more negative side, is the thought that conservative investors of this type who have been averse to commitments in equities of corporations embarking on the sale of new bonds, may decide that stocks are not as suitable for their purposes as formerly. However, the general long-term trend toward investment in equities, as reflected in the portfolios of leading institutional buyers, has been so strongly entrenched over a period of years, that it is doubtful whether the prevailing movement toward bond financing will have a marked effect in this respect.

Better Support for Dividends

With regard to prevention of stock dilution through sale of bonds rather than stocks, it is clear that the higher ratio of bonds to stock capitalization, the greater the leverage. In a period of prosperity, this is always a great advantage to the stockholder. For that reason, the sale of bonds at low-interest rates can be looked upon with favor by the stockholder. Under these conditions, the current increasing volume of long-term bonds may be considered a favorable factor so far as stocks are concerned.

Added support to earnings and hence to dividends is provided through new bond financing where the funds arising from the sale of such securities are



used for expansion and additions to plant and equipment, since the new facilities naturally enlarge the base of corporate operations and therefore the earnings potential. When such funds are obtained at low interest rates, as at the present time, the potential of new earning power is acquired at low cost for the company.

Recent Issues of Individual Companies

This is a decided advantage not only in a period of prosperity but also in leaner times since the newer and presumably more efficient plants should reduce the cost of operations and thus enable the company to retain an adequate profit margin. It may well enable companies to maintain dividends at reasonable levels even during less prosperous periods.

From the fundamental point of view, therefore, there is no reason to doubt the wisdom of borrowing at the current comparatively low interest rates on the part of corporations engaged in long-range financing. Aside from the advantages mentioned above, there is the important consideration that this enables the companies to make preparations for the new business conditions that will arise when the armaments factor is no longer so great an influence.

The accompanying table provides a list of the more important long-term issues offered recently together with pertinent data as to the nature and purpose of the issues. We call particular attention to the columns comparing the new ratio of long-term debt to capitalization with that of a year ago. In the following we give a brief description of several of the larger of these issues and their relation to the expansion programs of the respective companies, from the viewpoint of prospective earnings likely to arise from the new financing.

Westinghouse Electric Corp. has made arrangements to place \$250 million of 3½% debentures, due 1981, with a group of institutional investors. An option for an additional \$50 million loan is included. Sinking fund payments which will amount to 5% annually, without premium, do not commence until 1962 so that for the next 11 years, the company will provide only for interest amounting to \$10.5 million annually on the total loan, assuming the option is consummated. The prime purpose of the new financing is to provide funds for the \$296 million dollar expansion program which is designed to include 97 individual projects of varying size.

In 1950, Westinghouse earned \$159.6 million (before taxes) on its total assets of about \$800 million, a ratio of 19.9%. While this was an exceptionally prosperous year, any approximation to such a ratio in the future would produce very large additional earnings from the new assets to be acquired. Thus Westinghouse stockholders stand to gain, in future years, from the new financing, and perhaps quite substantially so.

Union Carbide & Carbon Corp. has placed two \$150 million notes with the Prudential Life Insurance Co. of America and the Metropolitan Life Insurance Co. These notes bear a coupon of 3¾% and are not due for the astonishingly long period of 100 years, making this financing one of the most unique in history. The notes will be issued in varying amounts up to November 1, 1954, as needed. Funds obtained will be used for the very large expansion projects of the company. Illustrating the magnitude of the proposed *(Please turn to page 355)*

Recent Long-Term Bond Financing

	Amount (Millions)	Nature of Financing	Purpose	Long-Term Debt After Financing (Millions)	Ratio of Long-Term Debt to Total Capitalization	Ratio a Year Ago	Net Per Share 1951 (9 Mos.)	Net Per Share 1950
Avco Mfg. Corp.	\$ 10.0	3¾% Notes due 1970	Defense Production	\$ 30.0	46.3%	36.5%	\$ .84	\$1.47
Bigelow-Sanford Carpet Co.	14.0	3¾% part due 1971	Various	17.0	38.4	15.0	.85	6.07
Byron Jackson Co.	6.8	3¾% Loan due 1966	General Corporate	8.6	77.4	50.6	2.01	2.52
Celanese Corp. of America	50.0	3½% Deb. due 1976	Expansion	119.7	53.2[1]	54.6[1]	3.27	6.39
Colorado Fuel & Iron	30.0 15.0	4¼% Mtge. Bd. due 1971 4¾% Conv. Deb.	Construction and redemption of debt	67.3	87.1[2]	50.0	1.02[5]	2.64
Commercial Solvents	25.0	3¾% Notes due 1972	Expansion	25.0	79.3	......	1.69	1.96
Congoleum-Nairn Inc.	10.0	3⅝% Note due 1971	Repay Lns. & Wkg. Cap.	10.0	49.5	......	1.48	3.29
Continental Can	15.0	Due 1976	Corporate	66.4	45.9	37.3	3.75	4.53
Dow Chemical	60.0	3¼% Notes due 1977	Expansion	122.0	48.0	31.5	1.31[6]	5.40
Electric Storage Battery	10.0	3⅝% Notes due 1966	Improve. & Wkg. Cap.	10.0	29.9	......	2.85[7]	5.03
Jones & Laughlin Steel Corp.	30.0	3% 1st Mtge. due 1975	Expansion	91.8	40.8	35.2	3.67	7.36
Lilly-Tulip Cup	7.0	3%¾ Notes due 1971	Redemp. & Wkg. Cap.	7.0	60.0	23.2	5.57	8.87
Mathieson Chemical	6.0	....	Acquisition	42.0[3]	72.7[3]	56.2	2.87	3.32
Mead Corp.	7.7	Loan due 1953-1963	Plant additions	17.3	36.5	33.6	4.23[8]	5.71
National Container Co.	20.0	4½% Deb. due 1966	New Construction	20.1	57.6	69.5	2.77	2.42
Smith (A. O.) Corp.	25.0	¾% Note due 1966	Various	25.0	71.4	63.4	1.41[9]	[10]7.00
Sylvania Electric Products	25.0	3.75% Deb. due 1971	Corporate	41.9	48.8	45.2	3.17	5.37
Union Carbide & Carbon	300.0	3¾% Notes due 2051	Expansion	450.0	69.1	43.2	2.67	4.30
Westinghouse Electric	250.0[4]	3½% Deb. due 1981	Workgin Cap. & Exp.	275.3	53.1	22.8	2.67	5.36
West Virginia Pulp & Paper	20.0	3¼% Deb. due 1971	Improv. & Additions	20.0	25.7	......	8.36[2]	12.93

1—Plus stock.
2—9 months ended July 31, 1951.
3—On 9/30/51 Pro-Forma basis reflecting merger with Mathieson Hydrocarbon Corp.
4—Also option of \$50 million additional.
5—3 months ended Sept. 30, 1951.
6—3 months ended Aug. 31, 1951.
7—6 months ended June 30, 1951.
8—40 weeks ended Oct. 7, 1951.
9—Quarter ended Oct. 31, 1951.
10—Year ended July 31, 1951.

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This detailed stu tically likely to shape bu ends i cut-backs and gr ms pr employment, co income It weighs the pr f a pos tarding factors o fronts, tug-of-war, what's ahead for prices, and als tes po and political considerations characteristic of lectio setting in which business will likely operate i w Yea

Companies Likely to Maint Or Increase Their Earnings i

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—Accompanied by Tables and Texts Giving Complete Earnings and Dividend Records

While in many cases corpo ngs u impact of higher taxes, rising d shifts duction, are currently in a do here a theless a good many comp h for reasons promise to be excep the ru selective investment approach thor su sizeable number of companies which by virtue of operat ditions, tax advantages and for other reasons, sho ain or their net profits in 1952 pointing to superior price p ce.

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These recommendations, in our e tial facts and data in co ompre earnings outlook and wide dividend coverage shou them are based on careful analysis of all pertinent factors termin profit margins, tax cushions and sound managemen

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ghts tgent industrial trends with charts and interpretive of theing stock *groups which comprise our 325 Common* g *whips made the most progress . . . advanced . . . we ct limited or extended market readjustment.*

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atteaping Up for 1952 ●

A. Managing Editor

d stutically surveys, appraises and forecasts the factors pe buends in the months ahead . . . in the light of civilian d grems production . . . their effect on overall business, t, conincome and buying power . . . foreign trade, etc. e prof a possible upsurge in business in the face of re- ors ofronts, the likely outcome of the inflation-deflation d alsotes possible influences arising from psychological tic ofElection years. In short, it illuminates the economic rate iw Year.

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By Our Staff

ions, in our exclusive thumbnail fashion, which gives you all essen- in comprehensive form covers five companies whose favorable shoul them to increase their dividends in 1952. Our conclusions actorstermine earnings potentials, including operating prospects, gement

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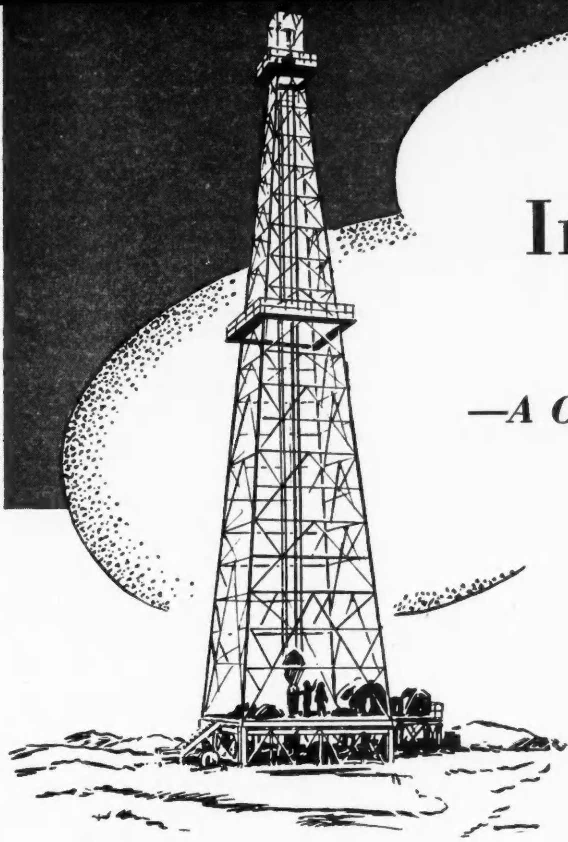

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Imperial Oil Limited

—A Coming Standard Oil Giant

By GEORGE L. MERTON

In a little less than five years, Imperial Oil Limited (Canada) has transformed itself from an already important company into one of the potential giants of the industry. As a matter of fact, Imperial Oil, looking ahead some years, is in a position quite comparable to that of Standard Oil of New Jersey (the parent company) several decades ago.

The base of this brilliant prospect is, simply, the enormous land holdings of the company in Western Canada which since 1947 have become the scene of unparalleled success in opening up new oil fields. The presence of large oil resources in this part of Canada had been known for some years, and extensive tests had been conducted by geologists long before the actual discoveries were made. In fact, Imperial Oil alone spent some $24 million for exploration work before it brought in its first well in the new fields, an expenditure it would not have undertaken unless it had been definitely assured that the effort would bring success.

Exploration was concentrated in the Leduc field, a name that is destined to become as famous as the other great fields discovered in the past half century. This field, situated in the Alberta prairie, which in reality has only been scratched, since 1947 will have produced some 40 million barrels of oil. The company estimated that its proven net crude reserves were 19 million barrels at the end of 1945, but now they have risen to about 600 million barrels. (Canadian barrels are equivalent to 120% of American barrels, containing 35 imperial gallons which are equivalent to 42 American gallons.

Though present proven resources of Imperial are large, the most conservative estimates of future possibilities place eventual reserves at a much higher figure, possibly as high as 2 to 2.5 billion barrels. It should be born in mind that the present phase of oil exploration and development in Western Canada is only a beginning, and that the recent opening-up of new fields is merely a first indication of future results.

It is estimated that there are about 590,000 square miles of potential oil-bearing lands in Western Canada, of which only about 5% has been proven. To measure the dimensions of the exploratory work going on in these regions, it is only necessary to cite the fact that at the beginning of 1951, there were 155 geophysical field survey parties, spending about $25 million a year in their search for oil and gas. Expenditures for these purposes are somewhat greater in Western Canada than in regions such as Texas, not merely because of the greater distances involved, but mainly because the coral reef structure present some difficulties in seismic exploration. Speed in making new discoveries, therefore, is to some extent dependent on improving techniques but success along these lines is considered ultimately assured by experts in the industry.

Imperial's Land Holdings

While a certain amount of speculation attends these efforts, it must be considered that Imperial Oil has a great advantage in that it is already operating in proven fields with the strong probability that other adjacent areas also possess a favorable sedimentary condition. Approximately 41,000 of the company's net holdings of 15.1 million acres constitute developed productive acreage in actual operation, with 914 productive wells.

Since 1946, the company completed 1035 wells up to September 1951. During this period it had 311 net dry holes drilled, so that it had over three times as many successes as failures in its drilling operations. Its progress in this respect can be appreciated from the fact that at the beginning of 1946, it had only 55 net oil wells in operation.

Of the 15 million acres, held variously through Crown reservation permits, Crown leases, options to lease and freehold leases, it is estimated that possibly 1%, based on the company's own experience and that of others in Western Canada, have favorable sedimentary possibilities. Based on the results obtained from the 41,000 acres now under drilling operations, this would produce a total of approximately 150,000 acres with potential reserves. On this calculation, Imperial Oil's reserves would be in

excess of 2 billion barrels. On the same basis, natural gas reserves would amount to 2 trillion cubic feet.

The enormous oil discoveries of the company in recent years and the assured prospects of much greater growth in the future has posed for the management the necessity of providing adequate facilities such as pipe lines, storage tanks and additional refinery equipment. For these purposes, it spent $60.5 million in 1950, $75 million in 1951, and will spend $90 million in 1952. Among the new projects are the construction of an 188-mile products pipe line from Sarnia, Ontario, to Toronto, Ontario. This installation, costing about $9 million will be completed in 1952 and have a capacity of 39,000 barrels a day.

Pipeline and Refinery Expansion

The company operates directly or through subsidiaries 756 miles of pipe line and also possesses extensive facilities through other companies in which it has less than a majority equity interest. Among them are: Portland (Me.) Montreal system, 472 miles, transporting about 27 million barrels of crude annually; and the Interprovincial Pipe Line system, 1126 miles, from the Redwater field, Alberta, to Superior, Wisconsin, transporting 18.1 million barrels in the first 8 months of 1951.

To feed the West coast of Canada, the company with others has entered into arrangements with Trans Mountain Oil Pipe Line Co. for the construction of a 24" pipe line from Edmonton, Alta., to Vancouver, B.C. This project, to be completed in 1954, if sanction is received from the provincial government, will cost about $80 million. Eventually, these developments will affect not only the prairie provinces with their growing population, but extreme West Canada, the upper West Coast of the United States and probably, later, the northern section of mid-continent U.S.A.

About half the budget for current and future expenditures is for acquisition of acreage, exploration and additional production facilities; 25% for additional refinery equipment and plant; 15% for marketing and 10% for modernizing transportation facilities. Improvements and addition to refinery facilities are extensive. Contracts for construction of additions to refineries at Edmonton and Sarnia have already been let, with a total cost for the two projects of about $20 million. The program includes the building of two new catalytic cracking plants which will permit total capacity for the two plants to be raised to 25,000 and 71,000 barrels daily, respectively.

One of the most striking developments arising from the new discoveries is the lessening dependence of the company on purchases of oil requirements for its refineries. Prior to the new discoveries, approximately 99% of refinery requirements were purchased, mostly from affiliates. The new supplies have brought purchases down to 71%.

With the very great expansion in the company's operations in all phases of its business, working capital requirements have increased proportionately. At the end of August, 1951, current assets had decreased to $197 million from $206 million in 1950. At the same time, current liabilities increased from $43 to $58 million, thus reducing working capital from $163 million to $139 million.

In order to meet additional requirements, the company recently offered for subscription 2,713,384 shares of captial stock, 10% of the outstanding total, at $29.50 a share. When completed in the very near future, this financing will bring in about $80 million of new capital, of which, through its 70% stock ownership in the company, Standard Oil of New Jersey has supplied about $56 million. It is generally agreed that this new large investment by SONJ in Imperial Oil is an indication that the controlling company, which does not make moves of this kind without the most careful consideration, has every confidence in the future of its Canadian subsidiary.

Canada's Growth Benefits Company

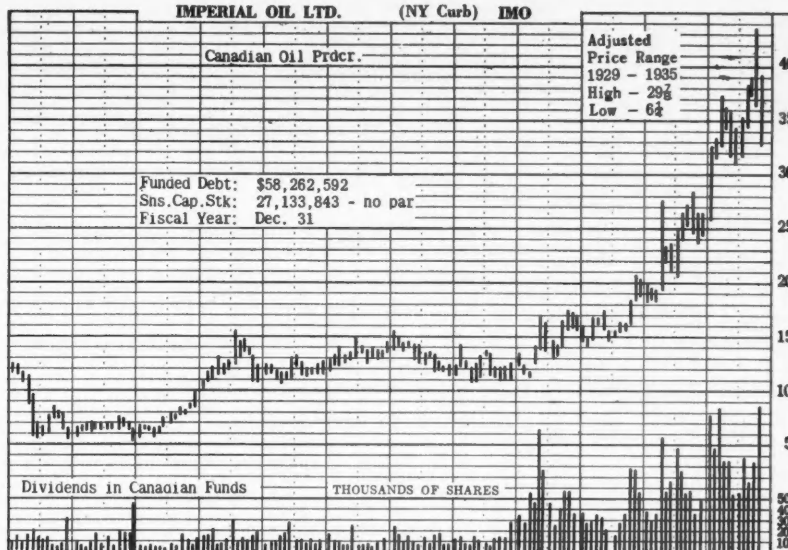
In this connection, it is worth pointing out that there are two major considerations in estimating the probable growth of Imperial. One is its new discoveries which are, as stated, of great magnitude; and the other is the future growth of Canada itself, both as regards population and wealth. Canada is progressing very rapidly now, especially in the exploitation of its natural resources. With national income rising and buying power expanding, it is likely that in a period of years, Canada's annual

Long Term Operating and Earnings Record*

	Gross Revenue	Depreciation & Depletion	Net Operating Income	Operating Ratio	Income Taxes	Net Income	Net Profit Margin	Net Per Share	Div. Per Share	Price Range 1941-51
	(Millions)				(Millions)					
1951 (9 months)	......	......	......	......	......	$25.5	......	$ .94	$ .65[4]	[5]43⅜-25⅞
1950[1]	$423.2	$13.2	$40.7	9.6%	$13.0	29.4	6.9%	1.12	.55	28¼-18⅛
1949[1]	373.0	13.6	21.5	5.7	5.7	19.9	5.3	.93	.50	20⅞-13⅞
1948[1]	354.0	7.7	26.0	7.3	7.0	25.5	7.2	.84	.50	17⅝-11¼
1947	260.6	5.5	23.9	9.2	9.0	20.4	7.8	.76	.50	14⅛-10⅞
1946	195.8	4.3	21.1	10.8	9.8	17.3	8.8	.64	.50	15⅞-11½
1945	174.1	3.7	16.8	9.6	9.6	16.6	9.5	.62	.50	15 -11¾
1944	177.6	4.7	18.2	10.2	11.0	16.1	9.1	.60	.50	13⅜-10¾
1943	166.8	5.5	16.7	10.0	10.3	15.5	9.3	.58	.50	15½-10
1942	156.7	4.8	14.6	9.3	9.5	14.6	9.3	.54	.50	10 - 5¾
1941	[2]	4.6	16.1	......	11.2	16.1	......	.60	.50	7⅜- 5⅜
10 Yr. Avg. 1941-50	$253.5[3]	$ 6.76	$21.5	9.0%[3]	$ 9.6	$19.1	8.1%[3]	$ .72	$ .505	28¼- 5⅜

*—In Canadian currency.
[1]—Based on new accounting procedure established since 1948.
[2]—Not available.
[3]—9 year average 1942-50.
[4]—To December 1, 1951.
[5]—To Dec. 14, 1951.

per capita consumption of petroleum consumption, currently about 300 gallons, will approach that of the United States with 500 gallons per capita. This will materially broaden the demand base for Imperial's products. Just how much may be indicated by the fact that Imperial accounts for over one-half of Canada's oil business so that expansion of the country's economy automatically means expansion for the company.



1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	
.65	.60	.54	.58	.60	.61	.64	.75	.84	.88	1.12		EARN.
.62½	.50	.50	.50	.50	.50	.50	.50	.50	.50	.55		DIV.
45.0	56.7	60.5	69.6	74.7	74.5	61.5	67.1	110.5	150.5	162.9	Wkg Cap $ Mil	

Long-Range Estimate

With the company in an extremely dynamic phase in the past several years, it should be obvious that a comparison of past earnings will not cast much light on the future. Even very recent earnings such as last year's and those reported for the first nine months of 1951 are not too significant since the full fruition of the company's immense expansion will not come to pass for a considerable period. But results of the expansion program have already been reflected to some extent in the income account. Last year's earnings, for example, were $1.12 a share, and with 94 cents a share shown in the first nine months of this year, it is estimated that the full year's earnings after taxes will amount to about $1.25 a share, with some estimates higher.

Where a large exploratory operation is being conducted as in the case of Imperial Oil, cash income is much more important that per share earnings after all charges, for cash income includes the heavy sums set aside for depletion, depreciation and amortization. Before such charges, income for the first nine months of 1951 would amount to almost $2 a share compared with reported net income of 94 cents a share. In any case, earnings for the past two years have been considerably in excess of those for the period 1945-49 and about double those earned in the war years when between 50 and 60 cents a share was earned on the average.

Dividends have been liberal in relation to reported earnings. From 1941 to 1949, payments were made at the annual rate of 50 cents a share, increased last year to 55 cents a share, and in 1951 to 65 cents. Dividends are paid semi-annually with the latest declaration at 35 cents, bringing the annual rate up to 70 cents a share. It is not likely that dividend policies can change materially in the next several years, as long as working capital requirements remain high in view of the still uncompleted expansion program, particularly the exploration program. For investors, therefore, who are seeking immediate return, the stock would not prove suitable, with a current yield of only 2%. The attraction consists, rather, in the well-defined growth possibilities.

Estimates of future production, to be sound, must be based on the rate of growth in crude oil output since 1947 when the Leduc field was first opened up. Production in that year was nominal at 566,000 barrels, rising rapidly from that point to 11.8 million in 1950, and is estimated at 18 million for 1951, based on the first 8 months' official figures. Between 1948 and 1949, there was an increase of 5 million barrels, between 1949 and 1950 a gain of 4 million barrels and between 1950 and 1951 (estimated) an increase of over 6 million barrels. Continuation of such a rate of gain could well bring production annually up to at least 30 million barrels by 1955.

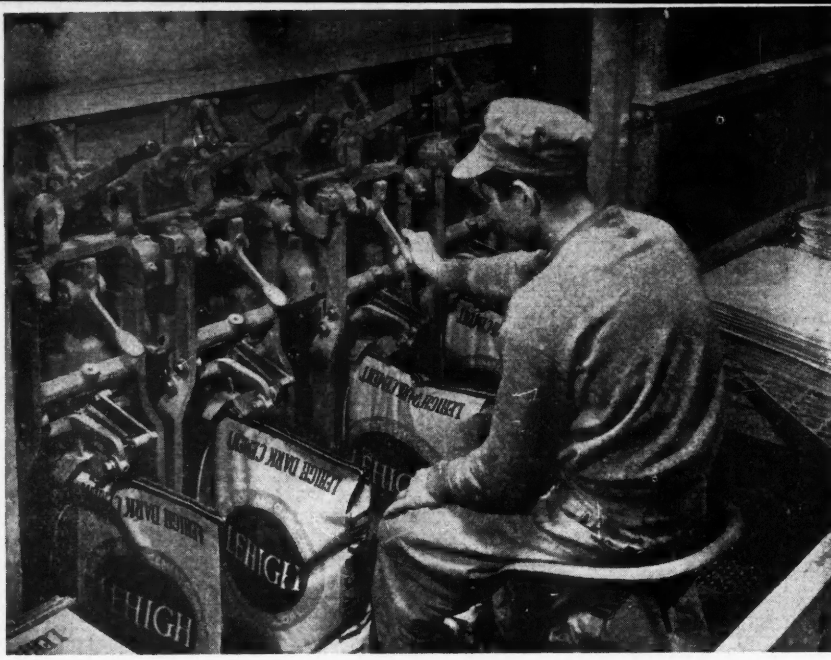
Refinery operations have also shown a steady increase in the past few years. In 1946, crude oil processed was 40.4 million barrels, rising to 61 million in 1950, and is estimated at 68 million for 1951. Present daily rated capacity is 202,050 barrels, but the new refinery units now under construction and planned for the near future will provide additional daily capacity of about 32,000 barrels. These projects are significant since, providing a capacity of an additional 10 million barrels annually, they register the expectations of the management with regard to probable expansion of crude oil output over the next few years.

A break-down of the company's assets, without giving effect to the new financing, shows that at current replacement costs, total valuation is about $1.5 billion. This total includes the following: working capital, $139 million; refining capacity, $202 million; equipment, distribution stations, etc., $100 million; and investments in other companies, $80 million. To this is added a *(Please turn to page 355)*

Record of Operating Statistics

	Production of Crude Oil Parent Company†	Purchases of Crude Oil From Affiliates	From Others	Refining
	Thousands of Barrels*			
1951 (8 months to Aug. 31)	12,773	23,033	14,198	68,000[1]
1950	11,886	32,759	21,418	61,127
1949	7,735	33,579	13,825	53,677
1948	2,686	41,333	8,694	49,547
1947	566	35,990	6,565	43,053
1946	314	33,306	6,936	40,406

†—Does not include any production by subsidiaries.
*—Barrels of 35 Imperial gallons, which is the equivalent of 42 U. S. gallons. [1]—Estimated for full year 1951.



The CEMENT Companies

—*Studies in Specialties*—*Part V*

By STANLEY DEVLIN

One of the oldest and commonest of building materials, cement, has developed impressive growth characteristics in recent years. Laboratory research has uncovered a myriad of new uses for the material which hardens like stone after being formed into desired shapes and objects. Bountiful raw materials, a simple producing process and relatively low costs have had much to do with spurring demand for Portland cement and for its gradual displacement of other building materials, especially wood, brick and even structural steel. Concrete pipe steadily is making significant inroads in the market for cast iron conduits.

Considering the many favorable aspects demonstrated by the cement industry in the last ten or fifteen years, it is surprising that representative stocks of leading companies have not gained greater popularity among investors. A realistic appraisal of leading producers and their positions in the industry suggests that the outlook for reasonably stable operations, or even moderate growth, is rather reassuring. Cyclical features traditionally associated with building construction appear to have been exaggerated by the vicissitudes experienced by the industry in the depression of the 1930's.

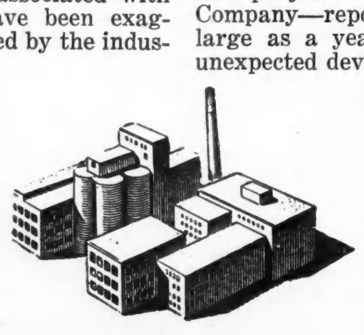
Productive capacity measured in barrels is only a trifle larger than it was two decades ago—and what major industry can boast of such conservative expansion? Moreover, the huge investment required to set up a modern highly mechanized plant tends to restrict competition. Expansion in the industry in recent years has come primarily from enlargement of existing facilities or from establishment of new plants in growing areas by one or more of the major companies already in the bus business. Despite simplicity of production and ready availability of raw materials, small independent plants appear to be diminishing rather than growing in number.

The fact that cement enjoys a strong competitive position by reason of its comparatively moderate price structure is an important factor in evaluating cement company stocks. Necessity for economizing on materials to counteract rising labor costs has compelled builders to turn more aggressively to substitute materials. With the benefit of scientific research, builders have been enabled to obtain better results with cement. Hence, consumption in construction has steadily grown. Producers have been able to maintain an exceptionally high rate of production efficiency. Large volume has contributed to wider profit margins.

Probably the chief reason for skepticism toward stocks of leading cement producers is found in the conviction that demand is likely to be lower in 1952 than in 1950 or in 1951, when building construction reached record breaking proportions. As a matter of fact, however, usage of cement shows promise of comparing favorably this year with the large volume recorded in recent years. This view is based on the strong likelihood that industrial plant construction will be maintained at a high level for at least another twelve months, and on the probability that national defense projects will require even larger quantities than in the last several years.

Building Construction Outlook Unchanged

Promise of a continued boom in plant construction is based on surveys and actual contract awards. Projects such as these are planned well in advance and usually are preceded by extensive studies. Companies engaged in preparing estimates for construction projects—such as the Raymond Concrete Pile Company—report that the volume of inquiries is as large as a year ago. This suggests that, barring unexpected developments making materials unavailable, there is every reason to look for building construction to proceed at about the same rate as has prevailed in the past year.



Expenditures on plant and equipment are estimated to have approximated $25 billion in the year just ending. Continuation of work at about the same rate would provide a market for cement in 1952 approximating that for 1951. More-

over, roadway construction and repair work may be enlarged. Public works have been retarded to some extent by a belief that such projects should be deferred until after the national emergency. If military operations should be checked importantly in coming months, larger expenditures may be anticipated on highways and bridges. In general, public works expenditures seems likely to be increased modestly in the coming year.

Ample Supplies of Cement Ingredients

Growing use of cement and asbestos sidings in residential construction has contributed importantly to the average usage of cement in housing developments. It is estimated the ordinary dwelling under today's standard requires an average of about forty barrels of cement—especially if sidewalks are included as a housing requirement. Hence, if annual housing starts approximate one million, the cement industry may count on about 40 million barrels, or perhaps 16 per cent of industry capacity, for residential construction.

As mentioned previously, domestic capacity has expanded only slightly in the last twenty years. The industry experienced a phenomenal boom in the 1920's when cement came into use in a big way in the residential boom of that decade. The subsequent depression, which saw shipments slump to 35 or 40 per cent of their 1928-1929 peak, presented a serious problem for leading producers. At the same time, imports (principally from Belgium) contributed to keenly competitive conditions along the Atlantic Seaboard. The result was a rough period for virtually all companies. Imports reached as high as 10 to 20 per cent of some important eastern markets in the late 1930's, causing several plants to close.

High freight rates and growing demand for cement in European markets have virtually halted shipments to this country in recent years. In fact, rising shipping costs have dictated a policy of dispersion of domestic plants. Shipments for distances of more than 200 miles usually are uneconomical. Fortunately, essential ingredients of limestone, clay and gypsum are available in adequate quantities in almost every section of the country. It is possible therefore to establish plants near prospective markets. The importance of freight rates as a factor in price has increased since abandonment of the multiple basing point pricing system which had permitted establishment of virtually a uniform price scale for all sections of the country. Bulk cement prices now are quoted at mill delivered rates, or at delivered prices at the consumer's destination.

The fact that major cement producers own large resources of raw materials and are protected from adverse effects of inflationary trends in costs of supplies helps to strengthen the industry's competitive position. Cement prices have advanced much less than lumber, steel, copper, bricks and other important components of building. Usage of cement has increased almost twice as rapidly as brick and lumber in recent years, according to industrial surveys.

In appraising prospects for stocks in this industry, therefore, one is impressed with the promising outlook for demand over the coming twelve months and with probable profit margins. High taxes, of course, seem likely to restrict earnings progress and may prevent further dividend liberalization. For the most part, a generous return is available on well protected dividends in this industry. Relevant statistics shedding light on earnings, dividends and price fluctuations are shown in the accompanying tabulation.

Aside from the promising outlook for sustained demand for cement in the coming twelve months, the industry's investment position has been bolstered by financial improvement of leading producers. Of an estimated capacity of about 270 million barrels —about the same as in 1933—probably about 30 per cent is accounted for by five or six nationally known companies. Of these, the largest are Lehigh Portland and Lone Star Cement, each with a domestic capacity of about 21 or 22 million barrels.

Position of Leading Producers

Three other companies of about equal size, each with about 11 million barrels capacity, are Alpha Portland, General Portland and Penn-Dixie Cement. In addition, United States Steel owns Universal Atlas Cement with an estimated capacity of about 25 million barrels. Accordingly about 35 per cent of annual output is in the hands of half a dozen financially strong companies.

Brief descriptions of representative companies may help the investor to gain a better perspective of the industry. Lone Star Cement is regarded as the largest independent producer in the Western Hemisphere with an estimated total capacity of more than 31 million barrels, of which slightly more than two-thirds are in the (*Please turn to page* 358)

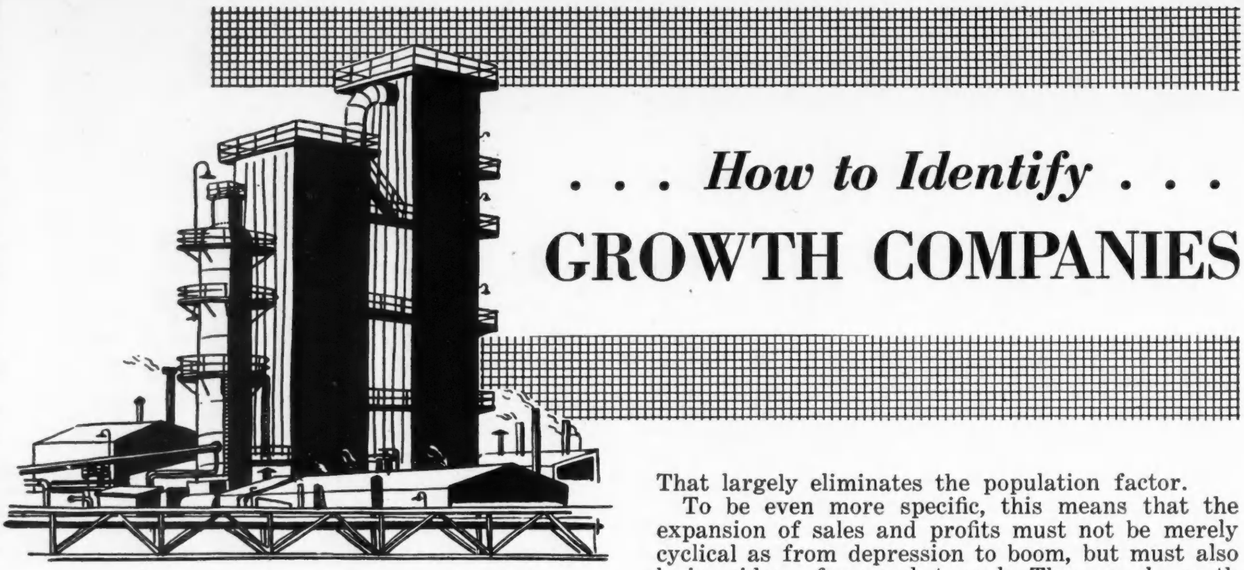
Statistical Data on Leading Cement Companies

	9 Months 1951 Net Sales (Millions)	9 Months 1951 Net Income (Millions)	9 Months 1951 Net Per Share	1950 Net Sales (Millions)	1950 Net Income (Millions)	1950 Net Per Share	Recent Price	Div.* 1951	Div. Yield	Price Earnings Ratio†	Price Range 1950-51
Alpha Portland Cement	$24.5[1]	$ 2.9	$ 4.98[1]	$21.5	$ 3.2	$ 5.59	37⅜	$ 3.00	8.0%	6.6	40½-30
General Portland Cement	20.4	3.4	3.29	25.2	5.9	5.68	36⅛	3.00	8.3	6.3	40¾-26
Lehigh Portland Cement	39.3	4.2	2.22	44.3	6.5	3.45	25⅜	1.20	4.7	7.3	26¾-19¼
Lone Star Cement	53.2	5.6	1.99	64.3	10.0	3.52	24¼	1.50	6.6	7.0	29 -22
Penna-Dixie Cement	19.4	2.1	3.59	22.7	3.2	5.34	26	2.00	7.6	4.8	28 -18¾
Superior Portland Cement	......	....	......	5.5	.4	3.28	25¾	1.00	3.9	7.8	28½-17⅞

*—Indicated or estimated.

†—Based on 1950 earnings.

[1]—12 months ended Sept. 30, 1951.



. . . How to Identify . . .
GROWTH COMPANIES

By RICHARD COLSTON

Shares of growth companies have long held a favorite position among investors and this preference has become increasingly pronounced in the present era of high taxes when many investors prefer to aim at maximum long term capital appreciation rather than high dividend income. For anyone familiar with current tax rates, and who isn't, the reason is quite simple. Whether taxable as income or as capital gain, taxes take an excessive bite out of stock market profits and investment income. By their very nature, growth companies held for a longer term hold promise for not only above average appreciation but also the possibility of realizing gains or maximum income return at a time when tax rates may be less onerous.

Hence the search for growth stocks has become ever more insistent. The problem has been, and still is, to find genuine growth situations and to avoid the shares of companies which, while currently doing well, may not measure up in the end. Too often in the past, the seeker of growth stocks, when choosing newer companies with a short record of expansion, has been deceived by temporary prosperity.

Generally speaking, any company or industry with prospects of expansion is given the "growth" label but this concept is proving entirely too broad. This particularly so if one realizes that we are living in a dynamic economy whose secular trend has been upward for a long time, and is likely to continue so. The rise of population over the years alone has insured a degree of growth for virtually every well-managed enterprise, hence the temptation to pin the "growth" label on virtually every company that doesn't show distinct signs of maturity or retrogression.

On this premise, utilities and food shares, for example, have come to be regarded as containing an element of growth, yet they hardly meet the definition of growth stock as it is specifically understood by the discriminating investor. To him the first requirement is that a growth company should show a more rapid increase in both sales and earnings than those reported by the average corporation. That largely eliminates the population factor.

To be even more specific, this means that the expansion of sales and profits must not be merely cyclical as from depression to boom, but must also be in evidence from cycle to cycle. Thus a real growth company should have reported larger sales and earnings last year than in 1937, and in the latter year when they should have been above 1929 levels.

Usually this applies to an enterprise in a new line of activity that apparently is beginning a period of significant expansion such as air transport, television etc. But one may also apply the term "growth situation" to companies developing aggressively new products through important research programs; to companies whose growth is promoted and assured by virtue of acquisition of profitable units in related or new fields, provided the capital structure is not expanded disproportionately. This might best be called growth through diversification. Growth often is also indicated where companies retain a substantial portion of earnings and use it for more intensive development and exploitation of its established lines.

On basis of the first and second definition, it is not difficult to cite a number of major groups generally associated with growth. Apart from airlines and television, already mentioned, these might include air conditioning, plywood, chemicals, ethical drugs, electronics, certain specialties in the machinery field, natural gas, plastics, synthetic fibers, and perhaps the oil and paper industries.

It stands to reason that this doesn't mean that all companies operating in these fields can qualify. Some also might argue that the paper industry is more a cyclical than a growth industry, and that the oil industry has already come close to maturity. In either case, of course, it is the secular uptrend in demand which imparts most of the growth element but there are exceptions in both fields.

Growth Ahead for Air Conditioning

The air transport industry, on the other hand, certainly qualifies without reservations. There is still a large growth potential inherent in air transport but this does not necessarily mean that all airline stocks will become profitable holdings. The outline of future prospects is already visible. Only a handful such as Eastern Air Lines, American, United and perhaps TWA may emerge as such.

The air conditioning industry appears to have completed its initial phase of development and en-

tered upon its second period of dynamic growth. Certainly potential demand for air conditioning is huge, portending a possible volume of $1 billion annually plus an estimated replacement market of some $350 million. Such volumes would contrast sharply with prewar levels when industry sales failed to exceed $100 million in any one year.

Granted that growth potentials are impressive, the question arises: Who will profit most? Competition is spreading and already formidable, and conceivably could bring about conditions similar to those which virtually robbed another erstwhile outstanding growth industry, the radio industry, of the fruits of its major expansion phase. Hence again, selectivity is in order.

Importance of Research

The same, for similar or different reasons, holds true of other growth industries though it naturally does not apply to situations where growth is brought about by individual research such as in the field of ethical drugs, anti-biotics, or any specific development as opposed to a general development. That is why so many ethical drug companies are rightly considered growth situations. Their growth is based on successful development and exploitation of individual products emerging from their laboratories.

This reminds of the great emphasis generally placed on industrial research which often enough has led to exceptional gains even in the absence of a general business expansion by bringing on the market new products and processes. Mere ownership of a research laboratory is of course no guarantee of a successful future. The ability of the research staff, the kind of facilities, the potentiality of the field under investigation and the company's ability to develop and market new products are all-important considerations.

To get back to potential growth fields, there is no denying the very distinct growth potentials inherent, for instance, in natural gas, in electronics, in synthetic fibers, in plastics etc. despite the fact that some of these industries are in varying cycles of development and that competition is sharpening constantly.

When selecting growth situations, determination of the development stage is an important matter. Most successful companies goes through three separate phases of development though the lines of demarcation are not always sharply defined. The first phase consists of struggles and often setbacks during the formative years, a period when it is not always apparent whether a company will be successful or not. While in this stage, the opportunity for really worthwhile capital gains is greatest, but so is the risk.

Once a company has successfully weathered its initial stage of trial and difficulties, it is likely to enter a period of progressive prosperity and growth. At any rate, at this point, the detection of a growth pattern should be possible and if so, the risk should be less than but profit potentials still attractive.

The third phase comes when a company has apparently reached maturity, is soundly established and well managed, but with a greatly reduced growth potential. Most great American companies with long dividend records are found in this group.

Obviously, and for best results, the seeker of growth situations may want to concentrate on companies which appear to be in their second phase of development, combining reduced risk with somewhat lessened growth potentials. To most it will strike a happy medium. Unless one is extremely astute, or extremely lucky, the risk inherent in the initial stage of a company's development is usually entirely disproportionate to the profit possibilities. At the other extreme, companies having reached more or less maturity appeal primarily to long term investors having in mind stability of earnings and dividends.

Yardsticks for Determining Growth Factors

Apart from such fundamental considerations, there are various statistical yardsticks to determine growth companies, and their degree of growth potential. One is the premium the market is always willing to pay for growth. Many growth stocks characteristically sell on a rather low-yield basis, and also on a relatively high price-earnings basis. Thus we find growth stocks selling as high as at 20 to 30 times earnings whereas even seasoned industrials range no higher than 12 or 14 times, and some sell in the range of 5 to 10 times. Similarly, we find genuine growth stocks yielding 2% or 3% instead of the currently customary 5% to 7%. Characteristics such as these leave little doubt that the investor is dealing with a bona fide growth situation that will meet the most rigid definition; but the premium can come high.

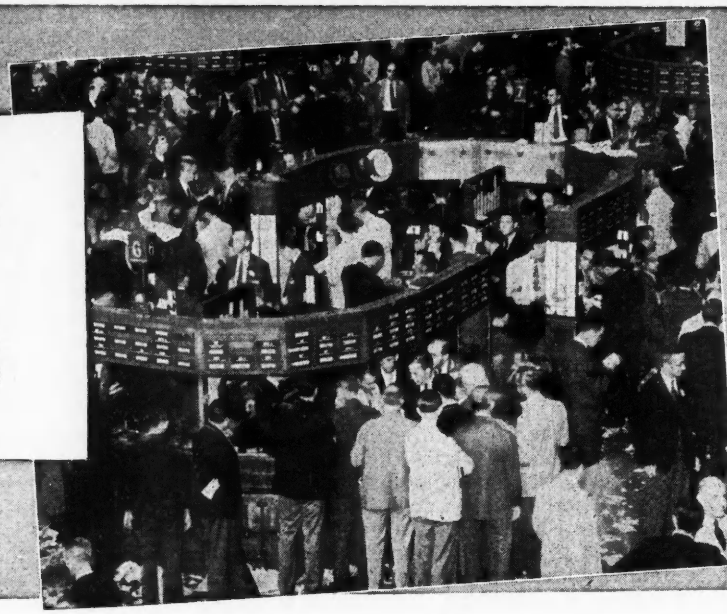
Sometimes overlooked, but no less important is the pattern of price performance. A recurring upward pattern consisting of ascending highs and ascending lows over several market cycles clearly points to the existence of growth potentials for the simple reason that growth stocks tend to move up more rapidly than the average stock in an advancing market, and to react (*Please turn to page* 360)

Price Pattern of Selected Growth Companies

	Highs			Lows		
	1939	1946	1951	1938	1941	1949
Abbott Laboratories	17⅞	45½	62	7½	9¼	37
Celanese Corp. of America	12⅛	23⅝	58¼	3¾	6	23½
Crown Zellerbach	17⅝	40¼	57¾	7½	10	20
Dow Chemical	36	48	119½	21⅞	23¾	43
Du Pont	47⅛	65¾	102½	22⅝	25⅝	43
El Paso Natural Gas	14¼	20½	38⅜	5¼	6⅜	23⅝
First National Stores	25½	35¼	40¾	12¼	14⅞	26½
Food Machinery & Chemical	18¾	50	53½	9	13¾	20⅜
General Mills	33	54¾	65½	16⅞	21⅝	44⅝
Hercules Powder	50¾	72¼	79	21⅜	25½	40
Lily-Tulip Cup	11	39½	69	8⅜	13½	28
Penney (J. C.) Co.	31½	57¾	74½	18¼	19	42½
Pennsylvania Salt	35¼	51½	69	24½	25⅜	32
Proctor & Gamble	44	47½	80	25¼	28	38
Sharpe & Dohme	7⅞	39¾	49⅜	3	4⅞	22⅝
Southern Natural Gas	[1] 19¼	33¾	51	[1] 8⅜	9¼	28¼
Square "D" Co.	11½	24⅝	30¼	4⅛	9¼	13⅛
Union Carbide & Carbon	23½	41⅝	66⅝	19	19½	33¾
Victor Chemical Works	14¾	26½	34⅞	6½	9⅜	16⅝
West Virginia Pulp & Paper	19⅛	53¼	98½	10	10½	35¾

[1]—Over-the-counter bid on old class "A" stock issued share for share for common.

FOR PROFIT AND INCOME



Rallies

At the December recovery high up to this writing, the industrial average had made up roughly 60% of its total October-November decline, the rail average 66%. The rule of thumb puts "normal expectancy" for intermediate rallies at anywhere from one third to two-thirds of the prior sell-off. So this recovery cannot have much further to go, regardless of the usual seasonal upward bias into the forepart of January, unless the major upward trend is to be resumed. The basis for the latter contingency may be debatable, but is certainly conjectural. Experienced traders will not bank on it. They will figure that the "percentage" now is on the profit-taking side, reserving judgement on buying pending either demonstrated support on a material sell-off or a convincing break-through of previous 1951 highs by both averages, although most weight will be given to the action of industrials.

January

So far as its past stock market record is concerned, January is "just another month." Looking over the chart back to 1920, there were appreciable net advances by the industrial average in January in 12 years, declines in 11 years, insignificant changes in 9 years. As would naturally be expected, declines have been the rule in bear-market years, advances in bull-market years; but with exceptions enough to make the rule far from infallible. If we are right in thinking that the existing balance of supporting and restraining factors justifies no more than fairly limited trading range fluctuation in average stock prices, it is not likely that the market will venture far either way this January; and if it ends December in the upper one-third or so of the range marked out from mid-October to date, its resultant technical position may be more compatible with some net retreat in January than with a net gain. In a more or less comparable trading-range pattern, the industrial average rose 3.24 points in January, 1947, fell 6.08 points in January, 1948, and rose 1.82 points in January, 1949. We shall soon see whether anything more exciting either way will develop in the present instance.

Groups

This is written after a week given over mostly to flattening-out tendencies in the rally from the November lows, with variations in stock group performance less pronounced than formerly. At the moment, strength is most notable in air transport and finance-company stocks, with both groups at new 1951 highs. Utilities remain in good demand. The baking stocks and gold-mining stocks are at new lows. In three weeks of recovery since late November, some of the largest group gains have been in air line stocks, rails, oil, chemicals and video stocks. Among the most laggard over the same period have been movie stocks, soft drinks, textiles and tobaccos.

Stocks

The industrial average now stands about 64% above its last

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1951	1950
Bullard Co.	Sept. 30 Quar.	$1.27	$ .05
White (S. S.) Dental Mfg.	9 mos. Sept. 30	2.78	1.53
Western Air Lines, Inc.	Sept. 30 Quar.	1.10	.90
International Nickel	Sept. 30 Quar.	1.09	.90
Goodrich (B. F.) Co.	9 mos. Sept. 30	5.75	5.20
Ingersoll-Rand Co.	9 mos. Sept. 30	7.33	4.98
Van Norman Company	40 Weeks Oct. 6	2.20	1.19
Seaboard Air Line R. R.	10 mos. Oct. 31	9.16	8.56
El Paso Natural Gas	12 mos. Aug. 31	3.28	1.89
Heyden Chemical Corp.	9 mos. Sept. 30	1.63	1.15

major low, recorded 30 months ago in mid-1949. To emphasize how little "the average" can mean to the holder of individual stocks—and what a world of difference selection makes—, it may be noted that many stocks at present are up from their 1949 lows by three, four or more times as much as are the not too representative 30 industrials comprising the Dow average; and that, at the other extreme, a goodly number of stocks now stand either close to or below their 1949 lows.

Winners

Here is a partial list of stocks which have largely outgained the average from the 1949 lows, with their approximate perecentage gains: Dow Chemical 160%, St. Regis Paper 183%, Atlantic Refining 196%, Dixie Cup 204%, Pfizer 215%, United Air Lines 220%, Marathon Corp., 223%, American Cyanamid 226%, National Lead 248%, Magma Copper 260%, Admiral Corp., 280%, Cerro de Pasco 292% and Motorola 295%.

Losers

Here is a partial list of stocks now selling either below or only a little above their 1949 lows: Alaska Juneau, American News, American Tobacco, American Sumatra Tobacco, Artloom Carpet, Babbitt, Coca-Cola, Natomas, Nehi, Congoleum-Nairn, Reynolds Tobacco, Kreuger Brewing, Jim Brown Stores, Liggett & Myers, International Shoe, Helme, Hearn, Hazel-Atlas Glass, Gotham Hosiery, General Cigar, Firth Carpet, Falstaff Brewing, Madison Square Garden, Prosperity Co., Shattuck, Twentieth Century-Fox and Woolworth. There are some "cats and dogs" in this list, but also a number of big-name, old-line stocks. Otehr things being equal, a preference for big-name stocks can be justified—but other things are rarely equal. Prominence and reputation do not make companies immune to changing circumstances, or assure even an average market performance by their stocks.

Dividends

Due to increases in regular rates established in earlier months this year, total dividends paid in December probably will be only moderately under the year-ago level; but the final reckoning on December year-end extras will show them well under the extras in December, 1950. This is foreshadowed by the November round-up of dividend changes. In that month there were 19 reductions or omissions against 8 a year ago; 57 increases, against 102 a year ago; and 394 extras, against 524 a year ago. The change in the "dividend wind" is not a major one and will not become so in 1952. It is nevertheless a breeze blowing in the undesirable direction. No doubt some scattered dividend boosts are still ahead; but on an over-all basis the best dividend news has been put behind, and the conditions under which it might get better are not foreseeable.

Oil Boom

Canada is having a major oil boom which is still in its infancy, with the chief actual development so far centering in the province of Alberta. A number of Canadian companies may be more or less favorably affected over the longer term. They include Imperial Oil, Canada's biggest oil concern, which is 70% owned by Standard Oil (New Jersey); British American Oil; Royalite Oil, McColl-Frontenac; Anglo Canadian Oil; and the Canadian Pacific Railway, which is a large land owner. However, there is a big element of speculative optimism in the present prices of even the best Canadian oil stocks. In terms of price-earnings ratios and dividend yields, based on 1951 results, they are generally twice, or more, as high as are good American oil stocks and probably about equally high on 1952 potentials. Scores of new and smaller companies have been formed to jump into the search for oil. Although some of these ventures might click, so might one's bet on a horse race. The solid future of the Canadian oil boom will have to be built on years of heavy capital investment in exploration, development of fields, and construction of pipe lines and refineries. In the building thereof, many American oil companies will actively participate. Obviously, an American oil industry which sets the pace in production in the Mid-East and in South America and which has never ignored promising new sources of production anywhere in the free world, will not ignore opportunities in Canada. American companies which have already begun, or revealed their intention of beginning, Canadian exploration include Atlantic Refining, Pure Oil, Ohio Oil, Standard Oil of California, Superior Oil, Union Oil of California, Phillips Petroleum, Tide Water, Texas Company and, of course, Standard Oil (New Jersey) through its Imperial Oil affiliate, which is discussed in detail on page 337.

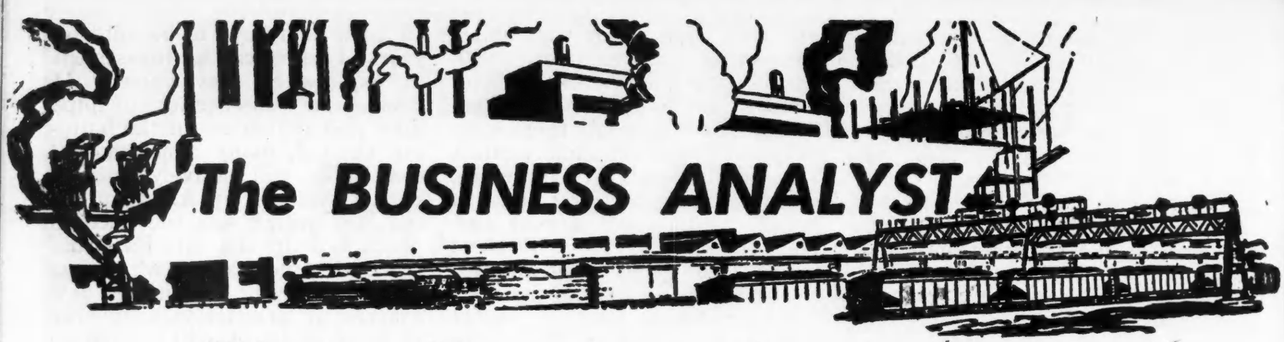
Aircraft

The aircraft industry is assured of substantially higher sales and profits in 1952, and probably will gain further in 1953. Indeed, if present defense goals are adhered to, its peak activity may not be seen before 1954 or 1955. Yet the stocks as a group are down considerably more from their 1951 high than the general list; and in relation to the 1935-1939 pre-war average, they are at a considerably less advanced level than the general market. Why? The answer is simple. The industry "goes to town" only in war or preparation for war. There is no long-term investment confidence in it. When earnings are good, they are rightly figured to be abnormal and non-recurring, and hence subject to relatively low market valuation. It may be interesting to note

(*Please turn to page* 360)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

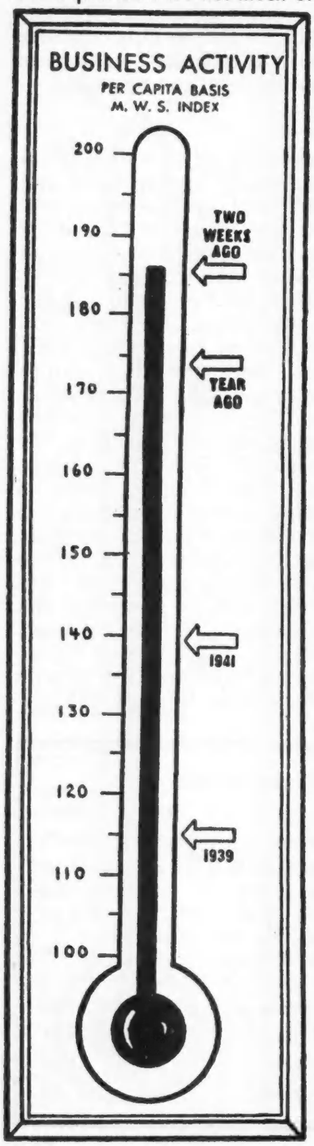
		1951	1950
Young, L. A., Spring & Wire Corp.	Oct. 31 Quar.	$ .91	$3.25
Eastman Kodak Co.	12 weeks Sept. 9	.61	1.12
Minnesota Mining & Mfg.	Sept. 30 Quar.	.47	.76
Bohn Aluminum & Brass	Sept. 30 Quar.	.47	1.21
Curtiss-Wright Corp.	Sept. 30 Quar.	.03	.16
American Tobacco Co.	Sept. 30 Quar.	1.48	2.22
International Paper	Sept. 30 Quar.	1.53	1.75
Philco Corp.	Sept. 30 Quar.	.60	1.13
Reynolds (R. J.) Tobacco Co.	Sept. 30 Quar.	.79	1.07
United Aircraft Corp.	Sept. 30 Quar.	.59	.81



What's Ahead for Business?

By E. K. A.

Industrial production in November slipped another point, to 218% of the 1935-39 average, from 219% in both October and September. It's not much of a slip but it proves previous contentions that the "lull", as the mid-year recession has come to be known, may likely last a little longer, that the normal seasonal improvement was not vigorous enough to overcome retarding factors. The doleful tune currently heard on the retail front ties in with this. Up to this writing, holiday business has been disappointing but ever-optimistic —or is it mere whistling in the dark? — merchandisers now talk of the likelihood of brisk post-holiday business spurred by big promotions. If it comes to pass, that would be fine, of course, from the standpoint of volume and inventory reduction. But how about profits?



The November decline in industrial production mainly reflected decreased manufacture of non-durable goods, notably textiles, the Federal Reserve Board says. Output of durable goods maintained "a slow advance" under the impact of mounting arms spending. In terms of index figures: Non-durable goods manufacture eased from 189 to 187; durable goods output edged up from 274 to 275. These are insignificant changes but let's look at the latest figures differently. The durable goods index has come all the way from 260 a year ago—and that makes it a 15-point rise. Not sensational, but it shows the trend despite a drop last July to 265. The non-durable goods index a year ago stood at 195 and reached a high of 201 in January and February 1951. The decline has been uninterrupted since then. That, too, shows the trend.

In spite of all this, however, one can say that 1951 has been a year of considerable overall stability as far as industrial production is concerned. If we ignore the sharp drop in the total index to 212 last July (largely distorted because of inadequate adjustment to seasonal factors), the FRB production index has moved within a six-point range, the high of 223 in April and the August low of 217. Additionally the 1951 peak was only six points above the 1950 high established in October of that year.

Pricewise, too, we have seen more stability than in a long while and there is little that points to a breaking out of the current range any time soon. What makes all this particularly significant is that it occurred against the backdrop of a good-sized arms program, with more rapid progress in the direction of heavy arms production indicated. It points up not only the retarding factors such as civilian production cutbacks and consumer resistance to high prices, but apparently also indicates that these elements will continue to operate at least over the nearer term. It boils down to this: No one apparently looks for anything more than a gradual, and probably moderate, upturn in the general business level. For some time, the production index is likely to move in a narrow range.

Despite rising arms production, this is bound to be so as long as present consumer attitudes prevail, and nothing points to an early change. Hopes of a 10% sales gain during the holiday season have given way to the more realistic expectation that they may average 3% to 5% under last year. This portends subsequent renewed pressure on the price structure at the retail level. Even then, selling may be difficult in the first two months of the new year. Price cutting in fact was already in evidence right in the midst of what normally is the peak of holiday buying. It doesn't augur too well for first quarter results.

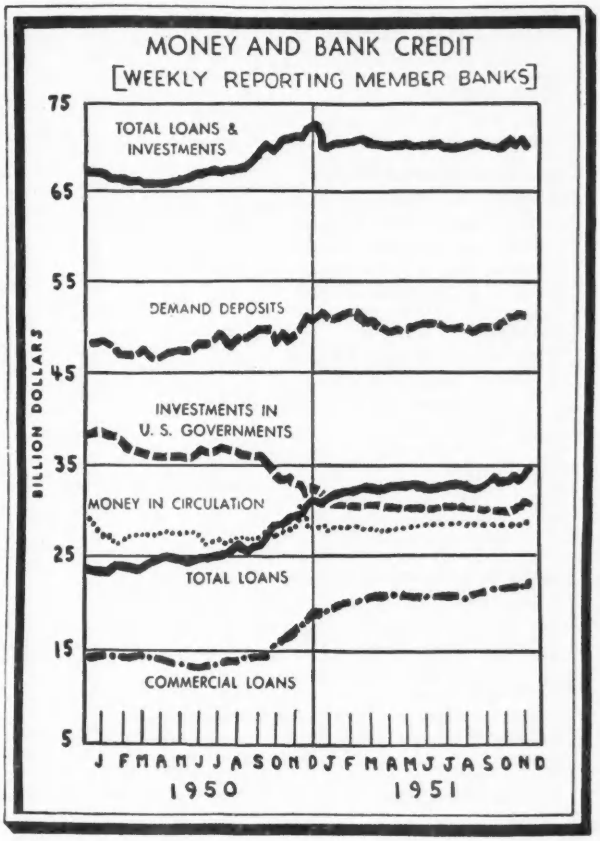
Lest the picture becomes distorted, let's remind however that heavy gains over last year's sales were hardly in the cards. After all, 1950 holiday sales volume not only set a new record (and we cannot better them indefinitely) but consumer buying then was also influenced by the "scare" element not present this year. This may be mild consolation for the merchant who has made adequate inventory preparations and whose profit picture this year anyhow is a good deal worse than it was last year. Net profit per sales dollar during the first nine months was already down 50% to the rather thin margin of 1.4%. How low can it get? Forward buying will remain extremely cautious with widespread adoption of a hand-to-mouth buying policy.

The Business Analyst

HIGHLIGHTS

MONEY AND CREDIT—The Treasury's cash deficit for the five months through November 30 totals $5.57 billion and this has been financed by sale of tax-anticipation and regular bills as well as by drawing on the Treasury's available cash. The large deficit has been one of the important factors in the recent rapid expansion of the money supply. However, for the entire fiscal year of 1952 the Treasury cash deficit is expected to approximate $1 to $2 billion. This means that the Treasury should run a cash surplus of some $3.5 billion or more for the next seven months. The excess of cash receipts over expenditures in the offing should simplify the Treasury's job and enable the Federal Reserve to take steps that will prevent any monetizing of the federal debt. Another offset to inflationary pressure is an expected seasonal decline in the level of bank loans after the turn of the year as inventories are normally reduced in this period. In addition it appears that the supply of mortgages will be reduced next year and is is thought that these factors making for a lower level of loans will outweigh loan increases for defense purposes, for the next few months at least. The tax-exempt market has been holding steady and was helped by the announcement that new public housing bonds to be offered next month will total less than $150 million rather than the $200-$300 million that had been rumored. This will make the January 15 issue smaller than the $163 million sold in October and the initial sale of $171 million brought out in July. The state of West Virginia has gotten around the voluntary credit restraint program and has sold direct to the public a $37.5 million issue of veterans' bonus bonds. The state's veterans' bonus program had been stymied earlier this year when the National Voluntary Credit Committee labelled a proposed $67.5 million bonus issue inflationary. The short-term money market has been very tight in the first two weeks of December and a Treasury offering of $1.2 billion of 91-day bills was sold at the equivalent of 1.7% on an annual basis. This was the highest rate for such bills in 18 years. However, heavy mid-month Treasury expenditures should ease the strain. Long-term Treasuries have been weak during the past few days with the bank-restricted 2½'s of December 1972-67 quite close to 96 on December 19. During the same period the Federal Reserve banks saw fit to buy $42 million of Treasury bonds while selling an equal amount of certificates.

TRADE—Retail sales since Thanksgiving day have not borne out earlier promise and hopes of topping last year's Christmas buying rush are waning. Apparel sales were influenced by the weather with a slump due to mild temperatures followed by a sales spurt as the mercury dropped. Demand for household goods continued below that of a year ago. Television sales rose slightly over recent weeks as merchants offered substantial price reductions but consumers showed no re-awakening of last year's buying enthusiasm. Sales of the nation's department stores were disappointing in the week ending December 8, falling 9% below the corresponding week of 1950 despite more favorable weather conditions. The record for the remainder of this year will probably continue below that of a year ago, as sales for the last three weeks of 1950 showed a more than seasonal spurt.



INDUSTRY—Industrial production was slightly lower during November at 218% of the 1935-39 average compared with 219 in October, according to preliminary estimates of the Federal Reserve Board. The MWS Index of Business Activity has been rising thus far in December and stood at 187.6 for the week ending December 8 against 184.8 a month earlier. There was higher output of crude oil, electric power and steel in the latest week when compared with a month ago. Production of coal and paperboard were lower while freight car loadings had a less than seasonal decline.

COMMODITIES—Average primary market spot prices were slightly lower in the week ending December 11 with the Bureau of Labor Statistics Wholesale Price Index closing at 177.2 against 177.1 on December 4. The more sensitive daily index of 28 basic commodities compiled by the same agency rose slightly during the week ending December 14 to close at 325.9% of the August 1939 average. This was 23.3% above the pre-Korean average. Largest change for the week was a 6.1% rise in cocoa beans while corn and hides were each up 1.2%. A decline of 2.1% was noted in cotton while cottonseed oil and lard were lower and grains other than corn also declined.

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Nov.	3.3	3.2	1.5	1.55
Cumulative from mid-1940	Nov.	434.2	430.9	402.4	13.8
FEDERAL GROSS DEBT—$b	Dec. 12	259.4	259.5	257.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Dec. 5	53.2	53.0	50.5	26.1
Currency in Circulation	Dec. 12	29.0	28.9	27.8	10.7
BANK DEBITS					
New York City—$b	Dec. 5	12.4	9.4	13.1	4.26
93 Other Centers—$b	Dec. 5	16.6	13.9	16.2	7.60
PERSONAL INCOMES—$b (cd2)	Oct.	257.5	253.6	234.1	102
Salaries and Wages	Oct.	170	168	152	66
Proprietors' Incomes	Oct.	50	48	46	23
Interest and Dividends	Oct.	21	21	20	10
Transfer Payments	Oct.	13	13	12	3
(INCOME FROM AGRICULTURE)	Oct.	23	22	20	10
POPULATION—m (e) (cb)	Nov.	155.2	155.0	152.6	133.8
Non-Institutional, Age 14 & Over	Nov.	109.0	109.0	109.3	101.8
Civilian Labor Force	Nov.	63.2	63.5	63.5	55.6
unemployed	Nov.	1.8	1.6	2.2	3.8
Employed	Nov.	61.3	61.8	61.3	51.8
In Agriculture	Nov.	7.0	7.7	7.6	8.0
Non-Farm	Nov.	54.3	54.2	53.7	43.8
At Work	Nov.	59.5	60.0	59.7	43.2
Weekly Hours, non-farm	Nov.	41.2	41.4	41.1	42.0
Man-Hours Weekly—b	Nov.	2.45	2.48	2.45	1.82
EMPLOYEES, Non-Farm—m (lb)	Oct.	46.8	46.9	45.9	37.5
Government	Oct.	6.5	6.5	6.0	4.8
Factory	Oct.	13.0	13.1	13.1	11.7
Weekly Hours	Oct.	40.4	40.6	41.3	40.4
Hourly Wage (cents)	Oct.	161.3	161.2	150.1	77.3
Weekly Wage ($)	Oct.	65.17	65.45	61.99	21.33
PRICES—Wholesale (lb2)	Dec. 11	177.2	177.1	174.7	92.5
Retail (cdlb)	Oct.	209.0	207.4	193.9	116.2
COST OF LIVING (lb3)	Oct.	187.4	186.6	175.6	100.2
Food	Oct.	229.2	227.3	210.6	113.1
Clothing	Oct.	208.9	209.0	193.0	113.8
Rent	Oct.	138.2	137.5	132.0	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Oct.	12.6	12.3	12.0	4.7
Durable Goods	Oct.	4.2	4.2	4.5	1.1
Non-Durable Goods	Oct.	8.4	8.1	7.6	3.6
Dep't Store Sales (mrb)	Oct.	0.86	0.88	0.82	0.39
Retail Sales Credit, End Mo. (rb2)	Oct.	11.2	11.1	11.6	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Oct.	23.7	21.3	23.7	14.6
Durable Goods	Oct.	11.4	10.0	12.2	7.1
Non-Durable Goods	Oct.	12.3	11.3	11.6	7.5
Shipments—$b (cd)—Total	Oct.	23.6	21.7	22.2	8.3
Durable Goods	Oct.	11.2	10.0	10.5	4.1
Non-Durable Goods	Oct.	12.4	11.7	11.7	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Oct.	70.1	69.9	57.1	28.6
Manufacturers'	Oct.	41.3	41.1	30.9	16.4
Wholesalers'	Oct.	10.1	10.1	8.8	4.1
Retailers'	Oct.	18.7	18.8	17.4	8.1
Dept. Store Stocks (mrb)	Oct.	2.6	2.6	2.6	1.2
BUSINESS ACTIVITY—1—pc	Dec. 8	187.6	187.1	174.7	141.8
(M. W. S.)—1—np	Dec. 8	218.8	218.2	206.3	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 347)

The **STEEL INDUSTRY** proudly marked December 13 as the day that saw production of the 100,000,000th ton of raw steel. This is the first time in history that any country has crossed the 100 million ton mark in steel production in a one year period. The 1951 total is expected to reach 104 million tons as against 96.8 million tons for 1950 and the World War II peak of 89.6 million tons which was turned out in 1944.

* * *

Despite a decline in production, **STOCKS OF NEW PASSENGER CARS** in the hands of dealers rose slightly in November and numbered 319,124 cars on December 1, as against 306,804 a month earlier and 423,821 on December 1, 1950, according to Automotive News. The slight rise in inventories during November brought the average dealer's stock to 7.2 cars on December 1. Previously a seven-month period of inventory shrinkage saw average stocks drop from 12.3 cars per dealer on April 1 to 6.9 on November 1.

* * *

NATIONAL ADVERTISING was up 4% in October over September and for the first ten months of this year showed a gain of 12% over the corresponding period of last year, a report by Printers' Ink shows. All kinds of advertising media except farm papers showed increases over the previous month with television garnering the biggest gain of 21%. Comparison of linage for the first ten months of this year with the same period of last year indicates that magazines had an 18% rise, business papers 17% and television 115%, while decreases were shown by radio off 10% and newspapers down 6%.

* * *

BUSINESS FAILURES in October amounted to 644 firms, up 4% from the 620 firms reported as failing in September but substantially below the 707 failures recorded in October 1950, Dun & Bradstreet reported. The first ten months of this year saw 6,860 firms fail and this compares with 7,800 failures for the same period of last year. **LIABILITIES** of failing firms rose for the third consecutive month to total $30.4 million, the highest in the last two and a half years. Most of the increase in failures occurred in commercial services, food stores and restaurants.

* * *

Output of finished **PORTLAND CEMENT** in October totalled 22,797,000 barrels, a 1% increase from the 22,461,-000 barrels produced a year earlier, the

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1—np (rb)	Oct.	219	219	216	174
Mining	Oct.	171	167	166	133
Durable Goods Mfr.	Oct.	274	272	261	220
Non-Durable Goods Mfr.	Oct.	189	192	196	151
CARLOADINGS—t—Total	Dec. 8	774	822	767	833
Misc. Freight	Dec. 8	388	397	380	379
Mdse. L. C. L.	Dec. 8	72	74	81	156
Grain	Dec. 8	54	59	51	43
ELEC. POWER Output (Kw.H.) m	Dec. 8	7,444	7,476	6,909	3,267
SOFT COAL, Prod. (st) m	Dec. 8	11.2	12.2	11.6	10.8
Cumulative from Jan. 1	Dec. 8	502	491	379	44.6
Stocks, End Mo.	Oct.	78.0	76.2	70.5	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Dec. 8	6.2	6.3	5.7	4.1
Gasoline Stocks	Dec. 8	114	112	110	86
Fuel Oil Stocks	Dec. 8	46	47	43	94
Heating Oil Stocks	Dec. 8	94	96	81	55
LUMBER, Prod.—(bd. ft.) m	Dec. 8	563	594	591	632
Stocks, End Mo. (bd. ft.) b	Oct.	8.2	8.1	6.6	12.6
STEEL INGOT PROD. (st) m	Nov.	8.8	9.1	8.0	7.0
Cumulative from Jan. 1	Nov.	96.2	87.4	88.5	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Dec. 13	193	324	102	94
Cumulative from Jan. 1	Dec. 13	13,293	13,100	11,548	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Dec. 8	266	180	244	165
Cigarettes, Domestic Sales—b	Oct.	38	31	30	17
Do., Cigars—m	Oct.	591	491	554	543
Do., Manufactured Tobacco (lbs)m	Oct.	14	19	21	28

PRESENT POSITION AND OUTLOOK

Bureau of Mines announced. **SHIPMENTS** of 26,140,000 barrels in October topped output for the month and resulted in a further decline in mill **STOCKS** to 6,944,000 barrels on October 31, the year's low. The inventory decline which began in May is seasonal with October usually the low month. Stocks then rise rapidly in the next four months as cement usage wanes during the winter.

* * *

Unfilled orders of **FURNITURE MAKERS** reached the lowest point of the year on October 31, down 9% from a month earlier and 43% below a year ago, according to Seidman & Seidman, industry accountants. Factory shipments of furniture in October were 11% under the same month of last year but for the first ten months of 1951 showed a 6% increase over the corresponding 1950 period. Despite the recent downtrend in shipments there is still a possibility that the dollar volume of shipments this year will equal the record-breaking 1950 figures.

* * *

Production of **MEN'S CLOTHING** during October reached the lowest point since the depression of the early Nineteen Thirties, according to an analysis of production data by the Clothing Manufacturers Association of the U. S., with the industry operating at 49% of capacity.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated, en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1926—100). lb3—Labor Bureau (1935—100). lt—Long tons. m—Millions. mpt—At mills, publishers, and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREEET COMMON STOCK INDEXES

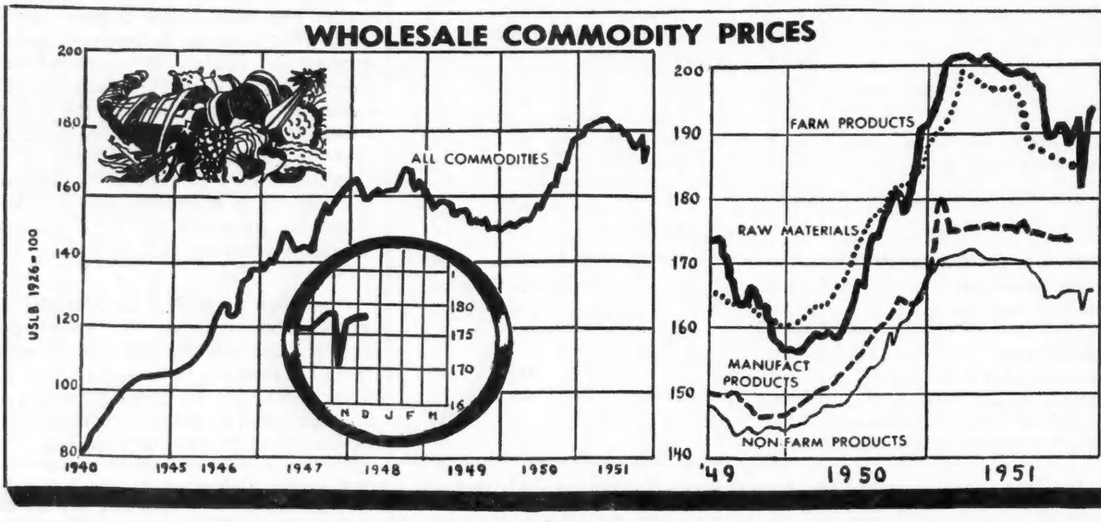
No. of Issues (1925 Cl.—100)	1951 Indexes High	Low	Dec. 8	Dec. 15
334 COMBINED AVERAGE	204.6	172.6	195.5	194.0
4 Agriculaural Implements	318.0	246.5	295.8	290.9
10 Aircraft ('27 Cl.—100)	339.1	252.8	305.2	299.1
7 Air Lines ('34 Cl.—100)	803.9	634.0	784.3	803.9A
8 Amusement	112.5	86.6	96.4	95.6
10 Automobile Accessories	257.6	216.2	241.5	239.2
11 Automobiles	46.3	36.1	39.4	39.8
3 Baking ('26 Cl.—100)	23.2	21.0	22.0	21.4
3 Business Machines	410.1	300.8	401.3	392.5
2 Bus Lines ('26 Cl.—100)	183.1	150.6	157.4	154.0
6 Chemicals	427.8	326.0	391.9	401.7
3 Coal Mining	18.3	13.2	14.0	14.2
4 Communications	72.5	58.3	68.8	66.3
9 Construction	73.0	60.2	68.9	68.9
7 Containers	490.6	376.5	472.4	472.4
9 Copper & Brass	171.9	126.3	162.8	160.1
2 Dairy Products	84.0	75.9	80.8	80.8
5 Department Stores	84.5	66.0	68.9	67.4
6 Drugs & Toilet Articles	235.0	209.4	220.0	220.0
2 Finance Companies	320.3	243.0	320.3	320.3
7 Food Brands	200.9	171.4	175.0	173.2
2 Food Stores	118.4	99.3	102.6	103.8
3 Furnishings	75.0	62.4	63.1	62.4Z
4 Gold Mining	779.8	579.3	646.1	635.0

(Nov. 14, 1936, Cl.—100)	High	Low	Dec. 8	Dec. 15
100 HIGH PRICED STOCKS	124.4	107.1	119.8	118.8
100 LOW PRICED STOCKS	252.9	208.6	239.2	236.1
5 Investment Trusts	98.9	84.8	98.1	97.2
3 Liquor '27 Cl.—100)	1250.1	1066.6	1146.9	1135.5
11 Machinery	215.9	177.7	208.3	206.4
3 Mail Order	152.0	125.3	133.3	132.0
3 Meat Packing	109.1	85.7	101.2	99.2
13 Metals, Miscellaneous	314.8	233.0	295.0	287.6
4 Paper	416.9	344.3	400.1	396.7
29 Petroleum	447.3	355.0	433.1	429.6
30 Public Utilities	159.7	142.5	157.0	159.7A
9 Radio & TV ('27 Cl.—100)	32.6	26.6	32.6	32.1
8 Railroad Equipment	73.8	57.5	64.3	63.0
24 Railroads	45.4	34.2	41.6	40.8
3 Realty	41.0	34.3	39.0	37.8
3 Shipbuilding	186.0	139.1	186.0	186.0
3 Soft Drinks	395.5	303.5	317.0	313.6
15 Steel & Iron	169.5	134.1	151.8	148.9
3 Sugar	77.6	66.5	70.3	70.3
2 Sulphur	655.3	425.3	546.8	533.8
5 Textiles	223.6	189.3	201.4	199.4
3 Tires & Rubber	75.3	51.2	69.4	68.5
6 Tobacco	86.7	75.3	81.0	79.3
2 Variety Stores	325.6	301.1	313.4	313.4
20 Unclassified ('49 Cl.—100)	127.3	109.4	117.4	115.1

A—New High for 1951. Z—New Low for 1951.

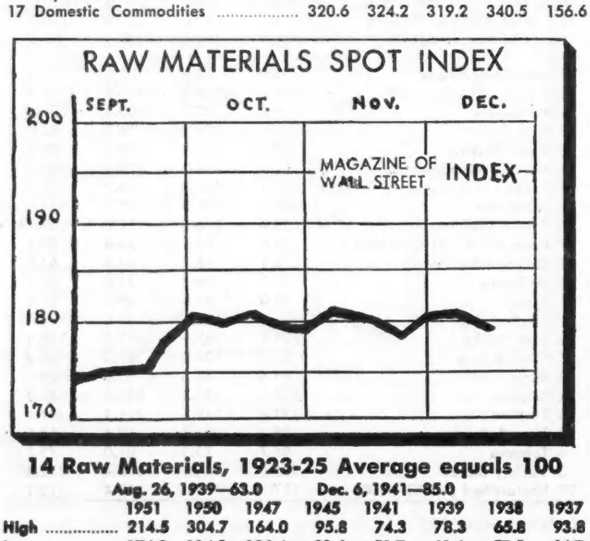
Trend of Commodities

Gyrations in commodity futures widened during the past two weeks and the Dow-Jones Futures Index after reaching a seven month high of 193.84 on December 10, broke sharply to 189.78 on December 14 before any rebound occurred. March wheat which has risen to a seasonal high of 270⅞ on prospects of large exports, closed at 265¼ on December 17. Selling may have been accentuated by revived hopes of an early Korean armistice. Corn futures have been strong during the past two weeks with the May option closing at 196⅞ on December 17 against 193 on December 3. The December 18 crop forecast of the U. S. Department of Agriculture estimated that corn production would equal 2.9 billion bushels, a reduction of some 147 million bushels from the forecast of a month earlier and about 435 million bushels short of the government's goal. This means that the nation will have to draw heavily on past crop stocks of corn, most of which are in government hands. The Office of Price Stabilization is preparing corn ceiling regulations and the maximum price is expected to approximate $2.00 at Chicago. With futures getting close to this level, speculators are understandably reluctant to make long commitments. Cotton futures have been noticeably weak during the past fortnight and the May option was down 1½ cents during the period to close at 41.57 cents. The drop began in the wake of the government's crop forecast of a 15.3 million bale crop. Although this figure was some 470,000 bales below the November estimate it was apparently above trade expectations. With goods buyers unwilling to pay prices in line with the advanced level of raw cotton, demand for futures soon petered out and the decline followed.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

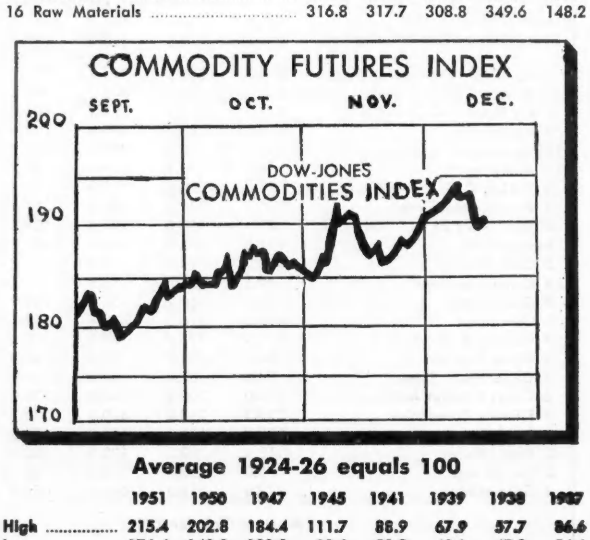
	Date Dec. 14	2 Wks. Ago	3 Mos. Ago	1 Year Ago	Dec. 6 1941
28 Basic Commodities	325.9	327.6	326.4	356.8	156.9
11 Imported Commodities	334.2	333.0	337.8	383.7	157.3
17 Domestic Commodities	320.6	324.2	319.2	340.5	156.6
7 Domestic Agriculture	352.5	358.1	342.1	369.2	163.9
12 Foodstuffs	361.2	365.1	366.2	368.4	169.2
16 Raw Materials	316.8	317.7	308.8	349.6	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1951	1950	1947	1945	1941	1939	1938	1937
High	214.5	304.7	164.0	95.8	74.3	78.3	65.8	93.8
Low	174.8	134.2	126.4	93.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1951	1950	1947	1945	1941	1939	1938	1937
High	215.4	202.8	184.4	111.7	88.9	67.9	57.7	86.6
Low	176.4	140.8	123.0	98.6	58.2	48.9	47.3	84.6

Keeping Abreast of Industrial and Company News

Generators and turbines capable of producing 395,000 kilowatts of electric power are included among more than $20 million of **General Electric Co.** equipment now being readied for installation in the two new aluminum plants of Kaiser, Reynolds near New Orleans, La. Of this amount nearly $13 million has been ordered for the Kaiser Aluminum & Chemical Corp. for a new four-potline reduction plant at Chalmette, La., and a separate $8 million order has been placed by Reynolds Metals Co., for its two-potline installation now under construction at Corpus Christi, Tex. In line with plans to increase the aluminum industry's over-all production to approximately 2.5 billion pounds annually, the two new plants are designed for an aggregate output of 550 million pounds of the defense-vital metal each year.

The **Pittsburgh Plate Glass Co.** has announced an advance in new glass technology which, is believed, will eventually have a marked effect on land transportation, buildings and homes. It is expected that the new glass will be in use by the automobile industry in 1952. This consists of a greenish tint glass which absorbs the sun's heat, reduces eye strain and keeps fading and bleaching of fabrics to a minimum. It is the newest product offered by the flat glass industry and will soon replace the colorless glass to which the country has become accustomed. In addition to automobiles, it is expected to be widely used in public construction next year.

Engineers, designers and production men from the staff of **Schenley Laboratories, Inc.** will help construct a streptomycin plant in Copenhagen, Denmark, according to the terms of an agreement between the company and Novo Terapeutisk Laboratorium A/S. The new agreement which gives Schenley royalties on Novo's streptomycin production as well as an option to introduce in this country Novo products or production techniques, also provides that Schenley will furnish the technical know-how and necessary assistance for the Danish firm to refine its present penicillin fermentation process. In addition to penicillin, Novo is one of Denmark's prime producers of insullin. This development is another in a series of moves which Schenley has undertaken abroad. Thus, Schenley helped set up the Paris plant of the Societe Francaise de la Penecilline several years ago and has since furnished the engineering, production and research skills needed to build similar plants in Western Germany, Spain, and more recently in Italy.

Construction is under way at **Lockheed Aircraft Corp.** on a Special Projects Center where the first models of new types of planes will be built. Initial investment will be $600,000, with total California expansion during the last 12 months, either construction under way or nearing completion, including nine new buildings, at an investment of $3,785,000. Among the new Lockheed installations is the roofing and walls being built over and around a newly installed metal-working press, largest of its kind in the world. Because the mammoth size of the machine prevented indoor assembly, a part of the building had to be left unfinished. This installation will complete the group of extra-heavy-duty machines acquired during the past year.

The new 1417 mile pipeline of Texas Illinois Natural Gas Pipeline Co. (affiliate of **Peoples Gas Light & Coke Co.**) has been placed in operation. Supplied from six Gulf coast fields stretching from the Rio Grande valley to Houston, Tex., the new 30-inch pipeline, costing $135 million, is the third and largest of the Texas-Chicago natural gas pipeline. The new pipeline has an initial daily transmission of 374 million cubic feet, most of which will be supplied to the four customer utility companies serving the broad Chicago metropolitan area and other utility companies in Illinois. The four companies are Peoples Gas, Public Service Co. of Northern Illinois, Northern Indiana Public Service Co. and North Shore Gas Co. The Texas Illinois pipeline has been designed for an ultimate daily transmission capacity of 524 million cubic feet with the addition of further Texas gas reserves.

Caterpillar Tractor Co. is embarking on an expansion program that will include a new factory at York, Pa., extensive additions to the Joliet, Ill. plant, and some improvements in the Peoria, Ill. plant. The program is made necessary by the continuing expansion in the demand for Caterpillar machines and parts. The major portion of the new expansion will be financed with a long-term loan of $35 million, according to the president of the company.

Minneapolis-Honeywell Regulator Co. has developed a new system of air conditioning that will be of especial use along such highways as the $225 million New Jersey Turnpike, servicing restaurants, gas stations, administration and service buildings. Among other things, it should improve dining conditions among the Authority restaurants along the 118-mile super-roadway. The control system was primarily developed to reduce fuel waste as well as provide extra comfort. This has been achieved by combining the latest automatic controls with new principles of indoor climate control. The system, to be completed early next year, is the largest ever engineered for a public road project.

Du Pont through its new "Orlon" acrylic fibre makes possible an infinite range of fabric types with the appearance and good tailoring qualities expected of fine fabrics in a combination of practi-

cal qualities previously unknown to the textile world. Emphasizing the importance of the new product is that a new plant, representing one of the company's biggest manufacturing investments, will be under construction in a few months. The new plant will produce 30 million pounds of staple a year or nearly five times as much poundage as the first "Orlon" plant.

Stainless steel parts for the powerful J-47 jet engine used by Air Force fighter and bomber planes are soon to be manufactured by **The Firestone Tire & Rubber Co.** to fill a multimillion dollar order which the company recently received. Firestone will deliver the parts to General Electric Co. and Packard Motor Car Co., builders of the J-47 jet engine. Firestone is again turning over much of its fabricating equipment to the manufacture of defense products as it did in World War II. Among other defense metal products which Firestone is now handling are: 90-mm tank cannon, three-inch twin fifty-calibre anti-aircraft gun mounts for the Navy, rocket motors, 57 and 75-mm recoilless rifles and jet-engine containers. Firestone is also operating the nation's second largest bomb and shell loading arsenal.

Standard Oil (Calif.) Co., through Caltex Pacific Petroleum, jointly owned with Texas Co. has extended its petroleum exploration activities to western Australia. A new company has been formed for the purpose and will soon start drilling an exploratory well there. The area to be explored includes 300,000 square miles in the northwest cape area. Caltex will build a refinery near Sydney, Australia, with a capacity of 22,000 barrels a day. Meanwhile, Caltex has continued development of its operations in the Orient, Southeast Asia and the South Pacific and has launched programs to explore for additional supplies of crude oil. Its most important operations are in central Sumatra where the Minas field has indicated large reserves of crude. This Indonesian oil is expected to enter world markets in the second quarter of next year.

U. S. Smelting & Refining Co. has acquired the Bingham, Utah, properties of Bingham-Conger Copper Co. and United Bingham Co. for a consideration aggregating $800,000. Bingham-Conger holds patented mining claims in the Bingham district totaling 130 acres and United Bingham Co. holds claims totaling 265 acres.

Several of the **General Motors Corp.** divisions have recently announced new developments regarding armament orders and production. The Chevrolet division has been awarded a new artillery shell contract more than doubling the original contract of last March for more than $25 million. The Oldsmobile division now is in volume production of bazooka rockets and 90-millimeter tank cannon, while maintaining auto production at the levels permitted by the government. The division is also building new facilities for the production of jet engine compressors and turbines for military aircraft.

United Air Lines, Inc. plans to reduce coast-to-coast air coach fares, cutting rates to an average 3½ cents a mile from 4½ cents. The move, subject to Civil Aeronautics Board approval, is in line with the latter's recent announcement, suggesting that the air lines expand their domestic low-cost tourist service. This will be an experiment in tapping the mass market.

Thompson Products, Inc. one of the largest manufacturers of automotive and aircraft engine parts, is planning to lease the former Lincoln Electric Co. plant in Cleveland. The new facilities will enable it to expand its output of jet engine parts by 20%. The 447,000-square foot structure is valued at about $3 million. If current negotiations are completed, Thompson Products is expected to have the plant in operation by next Spring.

Magma Copper Co. has begun preliminary discussions with the Reconstruction Finance Corp. for a loan that may total $80 million to develop a huge low-grade copper project, 46 miles northwest of Tucson, Ariz. This orebody has been under development by Magma since 1944, and which has spent about $10 million so far on development of the property. The orebody is said to be the largest discovered in more than 30 years and to contain at least 500 million tons of ore with a content of 0.8% to the ton. It is planned to mine about 30,000 tons of ore daily which would be equivalent to approximately 70,000 tons of refined copper a year or nearly 8% of the country's present annual output of the metal. If the negotiations go through, the ensuing developments would place Magma among the leaders of the industry.

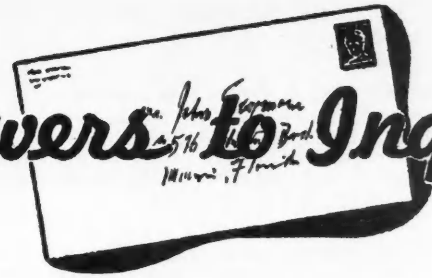
Pittsburgh Consolidated Coal Co. has started a pipeline transporting coal experiment. If successful, the pipeline will be used for the commercial transportation of coal. It is estimated that it will take about a year to determine whether the experiment will be successful or not. Pittsburgh Consolidated, the world's biggest commercial producer of coal, began studies of the pipeline system in 1949, developed a small pilot operation at Library, Pa., in early 1950, and started construction of the demonstration-size pipeline early in 1951.

Glenn L. Martin Co. is receiving an additional $6.5 million on its Navy-guaranteed V-loan. The credit has been extended by a 4-member banking group. The Martin company also has a $5 million loan from the same group for financing production of its 4-0-4 type airlines. These loans are supplemental to the company's indebtedness of $14,410,000 to the Reconstruction Finance Corp. The additional money advanced under the V-loan is expected to meet the company's cash requirements temporarily, while details for further financing are worked out. The R.F.C. to date has declined to provide additional funds and discussions are being held to provide permanent financing. It has been reported that several other aircraft companies are holding informal discussions as to the possibility of entering the Martin picture.

Electric Boat Co. has been awarded a contract to build two modern stream-lined submarines for the Peruvian Navy. Arrangements were concluded with the approval of the U. S. Department of State, the Department of the Navy, and the Department of Commerce.

Kelsey-Hayes Wheel Co. is now getting into production of its defense orders, so that sales volume is expected to be maintained in spite of a decline in the company's production for the automotive industry.

Answers to Inquiries



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The Okonite Company

Please furnish information as to how long Okonite Company has been established, nature of business, recent annual earnings, dividends and prospects over coming months.

T. E., Salem, Oregon

The Okonite Company was originally founded in 1878 and incorporated in 1908. Since its inception the principal business of the company has been the manufacture of insulated wires and cables, including splicing tapes and installation materials. Among the products made are aerial power cables, railway signal wire, train control and car wire, telephone and telegraph wire, etc.

The Okonite - Callender Cable Company Inc., wholly owned subsidiary, produces and installs oil-impregnated paper insulated cables. Chief customers are power companies, public utilities, steam railroads, traction companies, industrial plants and construction companies.

Recent annual common stock earnings adjusted for the 4 for 1 stock split and 25% stock dividend paid September 1, 1950, 12½% stock dividend in 1948 and 25% in 1947, were as follows: 1947 $8.77, 1948 $4.46, 1949 $3.86, 1950 $6.22, first 6 months of 1951 $5.24.

Dividends in 1951 were $1.50 cash plus 5% in stock. A 50¢ dividend is payable on Feb. 1, 1952 to holders of record Jan. 15. Capitalization consists of long term debt of $2,375,500 and 137,250 shares of common stock outstanding.

Consolidated balance sheet as of December 31, 1951 showed a good financial condition with net working capital of $6,830,113. Equity per share was $63.59.

Company's defense orders include manufacture of shipboard, radar and other special cables.

Okonite's large research department has developed innovations in the wire and cable industry.

Prospects over coming months continue favorable.

Louisville Gas & Electric (Kentucky)

Please give comparative operating revenues of Louisville Gas & Electric Company of Kentucky for the most recent 12 months period, also annual dividend rate.

C. E., Akron, Ohio

Operating revenues of Louisville Gas & Electric Company (Kentucky) and subsidiary companies for the 12 months ended September 30, 1951, amounted to $33,674,350, as compared with $29,105,322 for the 12 months ended September 30, 1950. Net operating income, after operating expenses, maintenance, taxes, depreciation, etc., was $6,190,944 for the 12 months ended September 30, 1951 compared with $6,768,338 (before deducting special amortization of $525,200 in December 1949) for the corresponding period ending September 30, 1950. Net income, after deductions for all interest charges, amortization of plant acquisition adjustments, etc. amounted to $4,955,611 compared with $4,724,-834 for the corresponding period indicated. This was equivalent to common share earnings of $3.31 per share for the latest 12 months period against $3.12 for the 12 months ended September 30, 1950.

For the 9 months' period ended September 30, 1951, operating revenues amounted to $25,291,794, compared with $21,928,926 for the corresponding period of the previous year. Net operating income for the first 9 months of 1951 amounted to $4,674,130 compared with $4,396,302 for the corresponding period of 1950 and net income was $3,734,709 for the first 9 months of 1951 compared with $3,371,007 for the corresponding period of 1950. This was equal to $2.50 per common share for the 9 months of 1951 against $2.19 in the first 9 months of 1950.

Federal income and excess profit taxes for the 9 months of 1951 have been accrued at the rate provided in the Revenue Act of 1951.

Construction expenditures for the 9 months and 12 months ended September 30, 1951, were $5,847,-000 and $7,579,000 respectively.

Dividends in 1951 totalled $1.80 per share and the same amount was paid in 1950.

Southern California Edison Company

"Please comment on recent operations of Southern California Edison Company and prospects for the coming quarter."

C. D., Salem, Massachusetts

Net income of the Southern California Edison Company for the third quarter of 1951, after all charges including provisions in full for dividends on all classes of preferred and preference stocks, was equal to 90 cents per share on the 4,463,811 shares of outstanding common stock as compared with 71 cents per share on 4,314,-500 shares of common stock reported for the third quarter of last year. Net income for the quarter was $5,641,617 as compared with $4,726,491 for the same period in 1950. Net income for the twelve months to September 30, 1951, after all charges, was $19,726,760, or $2.96 per share of common stock after preferred and preference dividends. Net income for the

calendar year 1950 was $2.97 per common share. Gross revenue for the twelve months ended September 30, 1951 aggregated $116,596,642, an increase of 12% over the $104,074,362 for the preceding year.

It is expected that net income for the fourth quarter will decline from the net reported in preceding quarters and that net for the full year of 1951 will be less than the $2.97 per common share reported for 1950. This will be due principally to increased fuel costs as it will be necessary to utilize all available steam capacity to carry peak loads during the remaining months of the year.

Dividends of 50 cents quarterly were paid in 1951 and the same amount was paid in 1950.

The Glidden Company

"I have been told that Glidden Company is a growth company and so would be interested in learning how their sales figures show for the past fiscal year compared to the previous year. Also am interested in dividend payments."

O. C., Wheeling, W. Va.

Record net sales of more than $228 million for the 1951 fiscal year ending October 31 were announced by Glidden Company.

Sales in 1951 were about $40 million or 21% above 1950 net sales of $188 million. Glidden has declared the regular dividend of 50 cents a share on the common stock and an extra of 25 cents per share, both payable January 2 to stockholders of record December 3. This makes total payments for 1951 of $2.25 a share against $2.10 in 1950.

There is no longer any preferred stock, the complete issue having been redeemed prior to the end of the fiscal year.

Indications are that company's profits will be satisfactory for the 1951 fiscal year. Final figures will not be available for several weeks but estimations are that they will be close to the $4.11 a share earned in 1950 fiscal year.

The cash position of the company at the end of the fiscal year was the best on record. Inventories have been carefully controlled and are low in relation to sales volume.

Glidden's business is broadly diversified, its products falling into eight general categories. These are paints and varnishes; chemicals and pigments; metals and mill products, food products, vegetable oil, soybean products, Naval stores and feed mill products.

Prospects for 1952 continue favorable.

Union Bag & Paper Corporation

"I have been a subscriber to your publication for 25 years and find your articles interesting and informative. Will you please furnish data as to recent earnings of Union Bag & Paper Corporation."

R. F., Chester, Pa.

Net sales of Union Bag & Paper Corporation for the quarter ended September 30, 1951 were $25,489,937 compared with $20,978,558 in the third quarter of last year. For the nine months ended September 30, 1951 sales were $78,936,032, an increase of 39% over the sales of $56,673,930 in the similar period a year ago.

Net income in the third quarter of 1951 was $3,012,879, equal to $1.98 per share on 1,518,198 shares of capital stock outstanding compared with $2,841,490 or $1.88 per share on 1,507,898 shares outstanding in the third quarter of last year.

For the nine months ended September 30, 1951 net income was $9,420,958 or $6.21 per share on the presently outstanding shares compared with net income in the first nine months of 1950 of $7,390,698 or $4.90 per share on the shares then outstanding.

Results for 1950 and 1951 have been adjusted to compensate for increased Federal taxes which total $18,965,000 in the nine months this year compared with $5,600,000 in 1950. Adjusted 1951 income per share by quarters, after provision for the higher taxes were: first quarter $2.08; second quarter $2.15; third quarter $1.98. Third quarter income was further reduced by shut-down to install new equipment which will increase production in the future, and also by provision for increased wages awaiting approval by the Wage Stabilization Board.

Dividends including extras totalled $3.75 per share in 1951 against $3.00 in 1950.

Reynolds Spring Company

"I understand that earnings of Reynolds Spring Company have declined in the past fiscal year and was wondering what was the cause of this decline. Please furnish sales data and financial conditions."

P. M., Charleston, S. C.

Reynolds Spring Company net profit for the fiscal year ended September 30, 1951 amounted to $222,208, after tax provision of $295,000, equal to 78 cents per share on 282,725 shares of capital stock outstanding. Net profit for the preceding fiscal year was $716,365, after tax provision of $421,000, equal to $2.45 per share on 291,725 shares.

Net sales for the 1951 fiscal year totalled $12,432,733 as compared with $14,759,568 in the preceding year.

Sales and earnings in the latest fiscal year reflected declining auto production, higher taxes, and material shortages, but despite such factors, the company ended the year in a healthier and greatly improved financial condition.

A plant decentralization program was virtually completed during the year just ended when approximately $132,000 of non-recurring costs were absorbed. The company now has ten plants in eight states and, completion of the program gives Reynolds Spring more flexibility in manufacturing operations, and enables the company to better control costs as sales volume changes under varying economic conditions.

Company's balance sheet and general financial picture has been greatly improved by various corporate developments since a year ago. The long term portion of long term debt, represented by a bank loan outstanding in the amount of $500,000 a year ago, has now been entirely repaid and only $200,000 of a short term nature is now outstanding. The Jackson plant was sold to its former lessee for the sum of $640,000. Deals have just recently been closed for the sale of the Kaiser Frazer mortgage notes and the idle Belleville plant property and proceeds from these sales will improve the company's working capital approximately $520,000.

The company has practically completed a realignment of facilities to produce the new "Zig-Zag" spring as an addition to its regular types. About 75% of such realignment costs have already been paid. The company now has orders on hand from a large manufacturer of autos for a considerable quantity of this spring. The company also has some defense orders.

The company's plant decentralization program is already paying off in the greater flexibility and economy of manufacturing operations and defense production is expected to at least partially offset decrease in civilian output during the current fiscal year.

Dividends in 1951 totalled 90 cents a share against 50 cents in 1950.

Imperial Oil Limited— A Coming Standard Oil Giant

(*Continued from page* 339)

potential figure of $600 million for proven reserves at $1 a barrel, $80 million for natural gas reserves and $300 million for Western leaseholds. At current prices of about 36 for the 2.7 million shares outstanding before the new stock offering of 10%, the market valuation of the common stock is about $975 million, compared with the above asset valuation of $1.5 billion. Bonds outstanding are relatively few for a company of this size, amounting to only $50 million.

On the estimated net for 1951 of $1.25 a share, after all charges, the stock at 36 is selling 29 times earnings, a very high ratio that finds its explanation in the potentials seen in current and prospective field operations and expansion of facilities together with the clear outlines of great future development. In this sense, Imperial Oil would seem to have the characteristics of a "growth" stock. An investment in this stock will require great patience, however, but for those who are in a position to make long-range commitments, Imperial Oil undoubtedly offers interesting and unusual possibilities.

Troubles in France — What's Behind the Weakness of the Franc

(*Continued from page* 333)

current resources? Will it be possible to increase production—with the help of American coal and steel—to keep the French consumer satisfied, to maintain the rate of exports, and to implement the rearmament program? Outside of cutting down expenditure on some housing and a few other minor projects, tightening credit, and raising interest rates, the French Government has done very little restricting of the domestic economy. Even such obvious restrictions as on the use of vital copper and rubber are much milder than in the United States.

The absence or the mildness of controls may work out in a country like Canada which is engaged in a dynamic expansion of her production facilities, but in the case of France the future looks rather bleak for a long period, unless the rearmament program is sacrificed or financed from the outside. Since France is indispensable to the land of defense of Western Europe, she may count on all the outside help she needs, provided she is willing to meet us at least half way.

Meanwhile our promised $600 million aid apparently has already had a beneficial effect on the French franc, though it is difficult to say whether it will be a lasting one. In recent days the franc quotation has firmed somewhat to a rate of 420 francs for the dollar compared to the recent low of 460.

Expansion of Corporate Long-Term Debt

(*Continued from page* 336)

expenditures is the Marietta, Ohio, power plant, which alone will cost $32 million. In the period 1947-1950, the company spent $360 million on plant expansion and improvements.

In 1950, Union Carbide earned $237 million (before taxes) on its total assets of $869 million, a ratio of 27%. A similar ratio in the future, would produce additional profits of $70 million pretax, or about $20 million post-tax, based on present income tax rates.

Dow Chemical Co. has recently sold $60 million in 3¼% notes due 1977. This is part of a financing program, with borrowings from banks and insurance companies currently reported at about $140 million. For the fiscal year ended May 31, 1952, the company will have spent some $125 million for expansion. By that time, production capacity will be about $100 million annually in excess of the former rate. The company has applied for $300 million in certificates of necessity and has thus far received approval for $140 million. From all this, it can be seen that the company is in the

(*Please turn to page* 356)

Expansion of Corporate Long-Term Debt

(*Continued from page* 355)

midst of an enormous program of building and modernization, requiring very large outlays.

Based on its total assets as of last May (fiscal year) of $427 million and pre-tax income of $109 million, the ratio between the two items is about 25.6%. Any such rate as this on the assets provided by the new $60 million financing would increase net earnings by at least $3 million annually without considering the increased earning power that will result from the employment of other new borrowings. Incidentally, the extremely low rate of 3¼% on the new notes attests to the very high credit rating of the company.

Celanese Corp. of America has embarked on an exceedingly broad expansion program. To help finance it, the company recently sold $50 million of 3½% debentures due 1976. The most important of the new projects is the $55 million plant being constructed by its affiliate, the Canadian Chemical Co., Ltd., at Edmonton, Alberta. This plant is unique in the world since it will produce petroleum chemicals, cellulose acetate, acetate filament yarn and staple fibre in assembly line technique, and is the nucleus of a still larger undertaking that is already foreseen by the management.

With total assets (before the new financing) of $274 million and pre-tax earnings of $82 million, the ratio is 30%. If future assets were to bring in such a return, the new financing would provide the basis for probably an additional $4 million in net income for the common stock, after interest payments on the new issue.

Economic Freedom vs. Economic Security

(*Continued from page* 327)

of the world.

The simple fact is that one cannot strengthen the weak by weakening the strong, nor can one help the poor by destroying the rich. By the same token, one cannot establish sound security on borrowed money. This is worth remembering, particularly today—on the eve of new efforts to find economic justification for the whole Fair Deal program.

Rather than supporting new efforts in this direction, we should learn from the unhappy experiences of others. Would we like to follow in Britain's footsteps? Examination of the impact of socialism on the lives of the British people reveals an appalling record of social extravagance, economic incompetence and frustration. Economic regulations have been arbitrary and often conflicting. Incentive has been largely destroyed. Government monopoly, through nationalization of industries, has brought inefficiency and high prices. Restrictions on capital investment have kept a damper on productive business. And consumer decisions have been distorted by subsidies and free services offered as a substitute for the price system.

The British Experience

Yet the British people are neither happy nor satisfied. Nor have they real security. The leveling down process under socialism has merely gained them a bare subsistence standard. They have been selling their freedom and their opportunities, if not their very national existence, for a mess of social and economic fallacies which, tested, have been found wanting.

Today, Britain is on the verge of bankruptcy and we are once more asked to bail her out. Who is going to bail out America if we follow Britain down the economic skidrow of socialism?

We are at present engaged in a contest between our philosophy of living—economic freedom—and that of communism which boasts of providing economic security to all who embrace it—the security of slaves. Yet in the midst of this crucial struggle, there are those who would advocate that we adopt their system—the socialistic system—in order to prove that ours is best, that

we give up our freedom for a planned economy and a controlled people. What will it profit us if we defeat aggressive world communism and in the process accept the validity of its socialistic doctrine for our own use? It would indeed be a hollow victory. Real victory can be ours only if we stop the totalitarian drift before it is too late.

A New Foundation for American Prosperity

(*Continued from page* 322)

viding new customers for the products of our factories and farms.

It is a vista that has put realism behind our postwar industrial expansion; and it is convincing enough to create optimism in appraising the broad trends in our economy. As in the past, it will remain a dynamic one if we choose to make it so. It will require clear and constructive thinking and wise leadership in Government, labor and business.

Stocks Acting Better Than The Market

(*Continued from page* 325)

nine months of this year as it did in all of 1950. Dividends at \$4.12½ (paid in 1951) afford a yield of 5.7%. For long-range purposes, the stock remains one of the classic American investments suitable for all kinds of portfolios.

Among the specialties, United Engineering & Foundry with a quick burst of strength rose from 48¾ to 61¾, in anticipation of the 200% stock dividend recently declared. The timing of the stock dividend was unusual in that it took place during a period when the earnings were being affected by higher tax rates. United Engineering earned \$6.39 a share in 1950 and \$6.83 a share in 1949, but is not expected to net more than \$5 a share this year. Under the circumstances, it would not be surprising if the stock has not already discounted the stock dividend, though the company's business is likely to expand together with the steel industry, of which it is an important supplier. At current price, the yield is 5.3% on the \$3 dividend.

(*Please turn to page* 358)

Stocks Acting Better Than The Market

(*Continued from page* 357)

The rise in Virginia-Carolina Chemical common has been nothing short of spectacular with a recent high of 28 against a low of 10½ earlier this year. The last quarterly earnings of 29 cents a share shown in the table are of no special significance since the company's profits are seasonal with the big earnings ahead. In the last fiscal year, ended June 30, earnings were $6.31 a share, having fluctuated from $3.53 in 1950 to $6.29 in 1948. An upward trend is expected to continue, based on the rising demand for mineral fertilizers and phosphate rock, of which this is the fourth largest domestic producer, and the company's new product Vicara. Of special interest is the possibility of a new recapitalization plan, the old one having failed to secure approval. No dividends are meanwhile being paid on the common, such payments probably awaiting final disposition of a new plan.

Along with the above stocks, all of which have recently made new highs for 1951 are a number of others which, while not quite entering new high ground, have nevertheless given an impressive account of themselves, offering good resistance when the general market was weak, and rallying quickly when pressure eased. Among these are: Allied Chemical & Dye, American Smelting, Anaconda, Cooper-Bessemer, Cutler-Hammer, Dixie Cup, Electric Boat, Joy Mfg., Kennecott, National Supply, Pittsburgh Consolidation Coal and Square "D".

Except for a two-week rally at the end of November which brought the Dow Average up about 10 points and wiped out half the preceding loss, a normal technical development, the market has not yet given signs that it has reversed the trend established in late October. Probably the future trend will be more clearly defined with the commencement of the new year. In the meantime, the stocks mentioned above have acted independently well, always an impressive performance during weak or indecisive markets. Based on past experience under similar conditions, many of these issues should continue to do well next year.

The Cement Companies Studies in Specialties—Part V

(*Continued from page* 341)

United States and the remainder in Latin America. Two additional plants under construction in Virginia and in Texas bring the company's total in this country to twelve, most of which are located east of the Mississippi River.

Favorable location of plants and excellent management go far toward explaining the company's better-than-average earnings record. Except for 1932 and 1933, profits have been reported for each year since organization in 1919. Growth in the last fifteen years has been impressive. Net profit for 1951 is estimated to have approximated $2.75 to $2.85 a share, compared with $3.52 a share for 1950. Dividends are being paid currently at the rate of 35 cents a share quarterly, an indicated annual rate of $1.40 a share. Payments, including extras, came to $1.50 for 1951.

Lehigh Portland Cement, second largest independent producer, has fourteen plants with a capacity of about 21 million barrels, or about 9 per cent of the country's total output, and plans have been completed for construction of a new plant in Florida. The company's production is concentrated primarily in the East, about half of capacity being accounted for by five plants in New York and Pennsylvania. Lehigh has reported profitable operations with the exception of two depression years, and a generally favorable trend has been achieved in recent years.

Sales in the year just ended are estimated to have increased to a new high record exceeding the 1950 peak of $44.3 million and net profit may have approximated $2.75 to $2.90 a share, compared with $3.45 a share for 1950. Dividends were increased recently to 35 cents quarterly from 30 cents previously paid on shares after two-for-one split, and it would seem that prospects for 1952 warrant expectation of continuance of a $1.40 annual rate.

Alpha Portland contributes between 4 and 4½ per cent of the industry's output with eight plants having a capacity of about 12 million barrels. Output is expected to be increased in 1952 with enlargement of the plant at Pamesville, near Syracuse, N. Y. This plant appears well situated to supply huge cement requirements for the new toll highway to be constructed across New York state.

Aside from a nominal deficit in 1944, operations have been profitable for many years. Expansion in volume and improvement in operating efficiency have contributed to outstanding progress since the war. Net profit for 1951 is expected to show a decline from results in the two preceding years but should compare favorably with the $4.66 a share reported for 1948.

For the twelve months ended September 30, net income came to $4.98 a share. Including a year-end dividend rate of $1.50 a share, payments for 1951 came to $3. The regular quarterly rate is 50 cents a share. Prospects appear promising for maintenance of distributions at the $3 annual rate.

(*Please turn to page* 360)

The Cement Companies Studies in Specialties—Part V

(*Continued from page* 358)

General Portland Cement, one of the most rapidly growing units in the industry, represents a consolidation of smaller independent producers in Florida, Tennessee and Texas. With addition of new plants, capacity has been increased to more than 12 million barrels from slightly less than seven million in 1947. Additional capacity of about 1.2 million barrels is expected to come into production in another six or eight months. Major plants are located in Texas. The Florida plant is sizeable and has done well in serving a rapidly growing territory.

Net profit this year is expected to compare favorably with the $5.34 a share reported for 1950. Such a showing affords ample coverage for the $3 dividend paid in 1951, including an extra of $1 a share. Regular 50 cents quarterly logically may be supplemented by an extra of $1 for 1952.

For Profit and Income

(*Continued from page* 345)

that these stocks made a high in 1939 in the first few weeks of World War II, declined nearly 50% therefrom in the ensuing bear market into early 1942, and that in the great 1942-1946 bull market, they never got above the 1939 high. They are appreciably under their 1939 high now, while industrial stocks generally are about 90% above it. Suffice it to say that there are more promising industries in which to speculate or invest.

How to Identify Growth Companies

(*Continued from page* 343)

less than average in a declining market.

Examination of the market action of leading growth stocks fully supports this thesis. Take Dow Chemical, an as well recognized growth situation as you would want to have cited. Look at the appended table for the highs and lows the stock registered since 1938. The low at the bottom of the 1938 downswing was 21⅞, at the bottom of the 1942 bear market it was 23¾; and at the bottom of the 1949 downswing it was 43—certainly a neat row of ascending lows. The ascending pattern of the highs is no less impressive, rising from 36 in 1939 to 48 in 1946 to 119½ in 1951. Interestingly duPont, another outstanding growth stock, followed a closely similar price pattern.

Naturally, this approach is not suited when looking for stocks of companies which have not yet entered the more dynamic phase of their growth. In such cases, the life cycle may be too short to have established a reliable pattern. But where applicable, it certainly shows where companies have been growing at a better than average rate.

While the companies listed in our table include a substantial representation of such widely recognized growth fields as chemicals, light metals, ethical drugs, and natural gas, we also find paper, food and electrical companies. Certainly the price pattern of Crown Zellerbach, Lily-Tulip Cup and West Virginia Pulp & Paper bespeaks distinct growth trends.

Relatively even more impressive, considering the field of its operations, is the price pattern of Square "D" with ascending lows of 4⅛, 9¼ and 13⅛; and with ascending highs of 11½, 24⅝ and 30¼. And to show that the food field also holds growth potentials, look at the price pattern of First National Stores and General Mills — both well along the road of corporate development. Interesting also is the pattern of Penny (J. C.) Co.

Balance Sheet of Market Factors

(*Continued from page* 319)

perhaps a record total—is now being held for the objective of buying basically attractive stocks on market reactions

We referred earlier to some background technical considerations One has been reduced momentum.

Also it may be interesting to note that among the 30 industrials comprising the familiar Dow average—over-rated "bible" of many market followers—8 made their last major highs as far back as 1950; 14 have not yet bettered highs made last February or earlier; at this writing 20, or two-thirds, are either below or only fractionally above highs made last February or earlier; and that only 5 currently retain good-to-wide gains over their highs of last February.

General conclusion: In adhering the selective policies you should also put more emphasis on preserving capital, on getting a secure and satisfactory return on the invested portion thereof, and on long-term prospects of the stocks that you hold rather than on possibilities for medium-term speculative profits—which would be subject to a big tax bite anyway if made and taken — on stocks bought at current levels.—Friday, December 21.

As I See It!

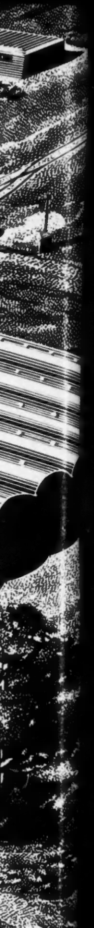
(*Continued from page* 317)

their feet.

A realistic "disentanglement" need by no means be a return to isolationism. Mr. Kennedy is not an isolationist, though some may try to pin that label on him. He is merely a practical realist, and we need more of them in and out of Government. Then perhaps we would also have practical and realistic policies.

As it is, we are now in a position where the western coalition can be attacked on a dozen fronts around the huge periphery of the Soviet land empire and at no point of attack are we, nor can we hope to be, sufficiently strong for effective defense or military victory. This point is illustrated by what has happened in Korea. While we have stopped the enemy, we cannot force a victorious decision in the field.

In the light of this, a realistic appraisal and readjustment of our policies are certainly in order. It is beside the point whether we want to go, or have to go, as far as Mr. Kennedy advocates. The point is that we must reconsider the wisdom of a policy that purports to reach for security by reliance on the United Nations and on alliances with a great number of nations willing to align themselves, on principle, but unwilling to implement such action.



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